



LAO PEOPLE'S DEMOCRATIC REPUBLIC
Peace Independence Democracy Unity Prosperity

Round Table Implementation Meeting
Vientiane Province, 24th-25th November 2016

PROGRESS REPORT
OF SECTOR WORKING GROUPS

Ministry of Planning and Investment
Department of International Cooperation

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INTRODUCTION

This report presents a consolidation of the submissions from ten (10) Sector Working Groups in preparation for the Round Table Implementation Meeting (RTIM) on 24th and 25th November 2016.

Sector Working Groups have been coordinating and conducting a series of consultation within the groups and with relevant stakeholders to ensure effective implementation of the sector development goals in which embedded within the 8th National Socio-Economic Development Plan (NSED) for 2016-2020 and Sustainable Development Goals (SDGs) as well as the long term vision on graduation from the Least Developed Country status by 2020.

The Sector Working Group is a fundamental element of the Round Table Process which provides fundamental platform for exchange view, experience and knowledge between the Government and Development Partners on key development agenda at sectoral level. The deliberations of Sector Working Groups are therefore contributing to the preparation of the Background Document as well as informing the discussion points at the Round Table Implementation Meeting held annually and the high level Round Table Meeting that is organized every three years.

The report is to a reference for the RTIM participants, which provides an overview of the achievements in each sector in the implementation of the annual NSED 2015/2016 as well as outline priorities and targets for the fiscal year 2017. The Sector Working Group progress reports prepared this year also highlight the progress in following up the discussion points arising during the 12th High Level Round Table Meeting (HL RTM) and also initiatives towards enhancing development effectiveness, including partnership within and across sectors.

The Ministry of Planning and Investment, Department of International (DIC), would like to express its appreciation and gratitude to all 10 Sector Working Groups for their valuable inputs to the preparation of this year RTIM and for the effective cooperation throughout the year.

AGRICULTURE AND RURAL DEVELOPMENT (ARD SWG)

SWG Chair: H.E. Dr. Phouang Parisack Pravongviengkham
Deputy - Minister of the Ministry of Agriculture and Forestry (MAF)
Ministry of Agriculture and Forestry

SWG Co-Chairs: H.E. Mme Claudine Ledoux
Ambassador of France

Mr. Henning Pedersen
Country Manager
International Fund for Agriculture Development (IFAD)

SWG Mandate

The overall objective of the SWG-ARD is to support the implementation of the National Socio Economic Development Plan (NSEDPlan) and contribute to the achievements of the Sustainable Development Goals (SDGs) relevant to the ARD sector.

The specific objectives of the SWG-ARD are to:

- Provide a forum for dialogue and coordination between the Government of Laos (GoL) and Development Partners (DP) and other stakeholders on sectoral development matters or cross-cutting issues specific to the Agriculture and Rural Development Sector.
- Promote the development of concerned sectors including policy dialogue and joint priority setting, domestic and external resource mobilization, result-orientated management, monitoring of progress and achievements.
- Facilitate the implementation of sector-related actions and targets embodied in the Vientiane Declaration Country Action Plan (VD-CAP).
- Ensure coherence and linkages between the Round Table Meeting (RTM) as the overall coordination forum and coordination at the sectoral level. Ensure the follow up and implementation of RTM guidance.
- Guide and monitor the Sub-Sector Working Groups (SSWGs) under the SWG-ARD.

The following SSWGs are under the SWG ARD:

- SSWG Agribusiness.
- SSWG Uplands (*only one meeting was held in 2016*).
- SSWG Agro Biodiversity.

The Policy Think Tank (PTT) under NAFRI's Policy Research Center (PRC) supports the SWG-ARD in policy research.

The updated version of the SWG-ARD ToR endorsed on the 28th March 2013, is still up to date.

1. Sector Overview

1.1 Sector level of achievement against SDGs

At the Sustainable Development Summit in New York in September 2015, H.E. President Choummaly Sayasone and H.E. Deputy Prime Minister Thongloun Sisoulith adopted the global Sustainable Development Goals (SDGs) along with more than 100 world leaders and all 193 UN Member States.

At this stage it is too early to start monitoring or reporting on the Sector/SWG-ARD contribution to the SDGs but the formulation of the SDGs Indicators for Lao PDR will help with this (this is expected to happen late 2016 or early 2017). This document is under preparation and a lot of attention has paid during its preparation to link it with the indicators proposed for the 8th NSEDP M&E framework.

The “SDG Index and Dashboard Report / A global report” published by Bertlesmann Stiftung in July 2016 summarizes the baseline data available for each SDG in Lao PDR and its neighboring countries in 2016. The data for Lao PDR is reported in annex 3.

In line with the previous MDG framework, some SDGs are particularly relevant to the SWG-ARD1.



SDG 1 (End poverty in all its forms everywhere) emphasizes social protection for the poor and vulnerable. It recognizes the importance of policies and laws in addressing inequalities. The areas most relevant to Lao PDR may be grouped under four key outcome areas:

- (i) enhanced access of the poor to resources, services and markets;
- (ii) reduced inequalities achieved through targeted interventions, policies and laws;
- (iii) substantial coverage of the poor by social protection systems and measures;
- (iv) increased resilience of vulnerable groups and reduced vulnerability to climate-related extreme events and other disasters.

SDG 2 (End hunger, achieve food security, improve nutrition and promote sustainable agriculture)

Targets can be grouped into four indicative outcomes relevant to Lao PDR.

- (i) sustainable food production systems, improved agricultural productivity and resilient agricultural practices, especially among small-scale food producers;
- (ii) access achieved for all to safe, nutritious and sufficient food all year round;

1 UNDP (2015) Discussion Paper: The SDGs in the context of the Lao People's Democratic Republic.

- (iii) improved nutrition of vulnerable groups;
- (iv) improved management of genetic diversity.

The report entitled “*No More Hunger in Laos: An Analysis of the Second SDG in the Lao Context*”² prepared for the UNDP in November 2015 states that “the Lao Government has made important strides historically to reducing malnutrition but now needs to target resources toward interventions to raise agricultural productivity as it will contribute to economic growth and reduce malnutrition. Increasing agricultural yields will improve nutrition outcomes and boost the economy. Secondly, a drastic reduction in economic growth and productivity would be disastrous for malnutrition rates in Laos therefore the Government and its development partners should continue to support policy programs that encourage inclusive economic growth in Laos.”

The importance on improving agricultural productivity (and education) as a means to reduce poverty and improve Food and Nutrition Security has also been highlighted by the World Bank Lao Economic Monitor entitled “*Challenges in promoting more inclusive growth and shared prosperity*” published in May 2016.

SDG 13 (Take urgent action to combat climate change and its impacts).

Indicative outcome areas relevant to Lao PDR for SDG 13 mostly focus on Climate Change adaptation:

- (i) strengthened resilience and adaptive capacity to climate-related hazards and natural disasters;
- (ii) climate change measures integrated into national policies, strategies and planning;
- (iii) improved education, awareness and capacities on climate change mitigation, adaptation, impact reduction and early warning;
- (iv) some resources mobilized for climate change mitigation.

SDG 15 (Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss). Lao PDR has many programs to protect forests and ecosystems. In the medium term, these programs are likely to be accelerated, with increased resource mobilization. The following are the indicative outcome areas most relevant to Lao PDR:

- (i) significant progress in conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services;
- (ii) progress in biodiversity protection;
- (iii) progress in the control of invasive alien species in land and water ecosystems.

SDG 17 (Strengthen the means of implementation and revitalize the global partnership for sustainable development) covers a large range of issues:

- (i) finance and ODA;
- (ii) technology and knowledge sharing;
- (iii) capacity building;
- (iv) trade;
- (v) policy and institutional coherence;

² UNDP (2015) [No More Hunger in Laos: An Analysis of the Second Sustainable Development Goal \(SDG\) in the Lao Context](#)

- (vi) multi-stakeholder partnerships;
- (vii) data, monitoring, accountability.

1.2 Critical sector contributions to the 8th NSEDP

The 8th NSEDP objective is “to reduce poverty, graduate from the Least Developed Country (LDC) 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”.

The 8th NSEDP (2016 - 2020) is an outcome based plan structured by outcomes and outputs (not by sectors):

8th NSEDP Outcome 1: Sustained, inclusive economic growth, reduce economic vulnerability Index (EVI) to levels required for LDC graduation and consolidate financial, legal and human resources to support growth.

8th NSEDP Outcome 2: Human development reaches LDC graduation criteria and off-track MDGs are met through the provision and use of services fairly distributed between regions and social groups.

8th NSEDP Outcome 3: Reduced effects of natural shocks as required for LDC graduation and sustainable management of natural resource exploitation.

The 8th NSEDP M&E framework was developed in 2016 with contribution from SWG-ARD stakeholders, it is made of 159 Indicators. As for the SDGs, the 8th NSEDP M&E framework and indicators will help the SWG-ARD members adjust their activities and indicators and report on their contribution to the 8th NSEDP.

In line with the 3 expected goals/outcomes and 20 outputs of the 8th NSEDP, the Agriculture and Forestry - 5 Year Development Plan is made of 3 programs:

Food security: Aim to ensure public nutrition, achieve an intake of 2,600 kcal per person per day and improve the quality of rice, vegetable, and fruit production so that it can meet Good Agricultural Practice (GAP) and Organic Agriculture (OA) standards.

Commodity production: Aim to modernize agricultural, livestock (including fisheries), forestry and NTFPs production. Develop clean, safe and sustainable agriculture production which can meet the GAP and OA standards for export with a focus on regional and international markets.

Sustainable forest management: Aim to achieve the targets for forest coverage and forest resource management, especially on effective management and use of forest production and village forests.

1.3 MAF structure and mandate

In 2016, numerous changes occurred within the MAF organization chart. The Government also demarcated new mandates for Ministries to avoid overlapping of assigned management tasks and responsibilities.

- 1) The MAF has taken full responsibility for three types of forest (conservation protection and production);
- 2) The National Committee on Rural Development and Poverty Eradication (NCRDPE) has been merged with the MAF. It is not yet clear how the MAF will update its structure to integrate the NCRDPE.

During the SWG-ARD meeting held on the 20th September, 2016, the Deputy Minister informed that there is no short term plan to move the Sub-SWG on Forestry from the SWG on Environment and Natural Resources to the SWG-ARD.

The issues related to Rural Development and Poverty Eradication are already addressed by the SWG-ARD but a specific forum may also be created in 2017 to specifically address these topics. This may take the form of a Sub-SWG, a task force or specific technical sessions/meetings organized under the framework of the SWG-ARD.

1.4 Sector Performance

1.4.1. National data reported by the Government (macroeconomic / all sectors)

On the 13th of July 2016, the Government reported the achievements of the first 6 months of the Financial Year (FY) 2015/2016. Below is a report of some significant highlights (not specific to the ARD Sector):

- The GDP was estimated to be 6.9 % and the inflation rate 1.1 %.
- The revenues from import taxes and custom duty increased by 3.8% compared to the same period last year.
- The GoL invested in a total of 3,576 projects for a budget of 277M USD.
- Private Investment (Domestic and Foreign Direct Investment (FDI) was made of a 1,222 projects representing a total of 3.134B USD.
- ODA consisted of 340 projects equivalent 553.09M USD including 263 grants (126.54M USD) and 77 loans (426.55M USD).
- The agriculture sector GDP increased by 3% contributing to 23.7% of national GDP.
- The industry sector GDP increased by 9% contributing to 28.8% of national GDP.
- The service sector GDP increased by 8.4% contributing to 39.8% of national GDP.

Some objectives and recommendations were formulated for 2017:

- GDP growth should reach at least 7.5%.
- GoL budget incomes should increase by 19.6%.
- GoL budget expenditures should not exceed 25.4% of the GDP.
- Inflation should not exceed 5%.
- Laws and regulations should be improved and better enforced in order to enable the successful implementation of the 8th NSEDP.
- The agricultural sector should pay a lot of attention on addressing the issues and challenges resulting from heavy rains, floods and crop pests and diseases.
- Support the task force that was created on the 15/05/2016 to monitor the decree 15/Prime Minister on the export of logs and timber imposing strict measures to control and inspect the felling of trees, log transportation and logging businesses.

1.4.2. Report on ODA (all sectors)

The 6 month report on ODA was produced by the MPI in June 2016 (Lao Version only). Below is a summary of the most relevant highlights:

The reports notifies the creation of the new Asian Infrastructure Investment Bank created with a budget of 100B USD as a promising opportunity for financing future development projects in Laos.

During the first 6 months of the fiscal year 2015/2016, ODA was made of 340 projects equivalent to a total investment of 553.1M USD (23% of grants and 77% of loans).

The ODA report classifies different types of sub sectors for ODA namely:

- Economic sector => 27.8% of ODA during the first 6 months of 2015/2016 FY;
- Social sector => 18.7% of ODA during the first 6 months of 2015/2016 FY;
- Infrastructures => 52.7% of ODA during the first 6 months of 2015/2016 FY;
- Other ODA investment => 0.8% of ODA during the first 6 months of 2015/2016 FY.

Bilateral Cooperation represented a total of 472.1M USD (211 projects) of which 70.9M USD (160 Projects) are grants and 401.2M USD (51 projects) are loans.

Multi-lateral Cooperation was made of 42 projects equivalent to a total of 8.1M USD.

International Finance Institutions financed 87 projects equivalent to a total of 72.93M USD.

The Prime Minister Decree No.75 on ODA management was revised in 2016 and the final draft is still being discussed at the time when this report was drafted.

The report also highlights numerous objectives and instructions as listed below:

- Increase ODA especially through South South Cooperation, ASEAN, GMS and loans;
- Improve ODA legal framework and Standard Operating Procedures (SOP);
- Harmonize procedures and align GoL and DPs targets with the 8th NSEDP;
- Increase ODA M&E systems;
- Improve budget management and coordination especially between central and decentralized authorities;
- Improve ODA projects sustainability;
- Set relevant mechanism to timely address problems and challenges;
- Improve information systems;
- Allocate budget to support field M&E;
- Improve legal documentation and framework on ODA project management.

1.4.3. Report on ODA (ARD sector)

The information below covers the agriculture and forestry sector and relies on MAF data only (MAF, DIC). Note that cooperation with Vietnam and China are included in a following sub-chapter.

There are currently 76 ODA projects implemented by 41 organizations / agencies registered by the MAF, representing a total investment of 587M USD. The 76 ODA projects are made of 69 grants, 10 loans and the GoL provides financial contribution to 7 of these projects.

Note 1: The figures in the following table are “all years included”, they include Technical Assistance, support costs and any projects ending this year.

Cooperation in the agriculture and forestry sector	Number of registered projects	Total amount USD
Bilateral	19	264 095 372
International Financial Institutions	11	277 990 000
INGOs	31	26 535 195
International Organization / Multilateral	15	19 186 269
Total	76 Projects	586 806 836

1.4.4. Report on agricultural investment

Most relevant information reported by the MAF Division of agricultural Investment on foreign and domestic investment (central and local level) for the 2015/2016 FY:

- ⇒ 755 companies (domestic & foreign) are registered, with a total budget of 3.560 billion USD.
- ⇒ Their activities cover an area of 479,916 ha.

Comments / Way forward (quoted in the report):

The “1 single door” administrative mechanism for investment registration is reported as convenient and eases cooperation between the GoL and investors, it also needs to be improved at local level and coordination with PAFO fostered on this issue.

Draft and disseminate guidelines on rules and regulations related to procurement, inspection and evaluation.

Coordination (local-central) and access to information needs to be improved at all levels and implemented in a timely manner.

Promote / adversities for Investment in Lao PDR.

Work on human resource capacity development.

Create a database for banking / financial information in investment at Province level.

Some challenges reported concerning feasibility surveys, which are not systematically or not properly done, can lead to implementation issues (often related to land). Some poorly designed investment projects have also resulted in unfair benefit sharing between farmers and investors and environmental risks. This emphasizes the need for better / more systematic socio-environmental feasibility surveys.

Agricultural investments M&E is not yet fully efficient and rules are still unclear on this matter; however some on-going projects/initiatives are supposed to improve this situation in the coming year.

1.4.5. Report on Public Investment Program (PIP)

The following data on PIP were shared by the MAF division of planning for the 2015/2016 FY (note that figures were provided in KIP and converted to USD at the rate of 8,000 kip per dollar for the purpose of this report):

The GoL/MAF invested in 204 projects which is equivalent to approximately 15.4M USD.

- 90 technical support projects (2.38M USD);
- 13 MAF infrastructures projects (0.65M USD);
- 12 projects (0.56M USD) from Nam Theun 2 were dedicated to Province agricultural technical service centers and agricultural infrastructure;
- 13 projects (involving various departments) were dedicated to Forestry (1.25M USD);
- 16 projects in irrigation: construction and rehabilitation of priority irrigation systems (7.5M USD);
- 60 projects in Food Security (3.75 M USD) involving various ministries (MoIC, MoLSW, MoST mainly).

1.4.6. Cooperation with Vietnam and China

Cooperation with Vietnam

Each year a MoU is signed between the MAF and the Ministry of Agriculture and Rural Development (MARD) of Vietnam for development cooperation. In 2016, the cooperation focused on commodity production, irrigation scheme construction and/or rehabilitation and support to agricultural service centers (Huaphanh and Xieng Khouang).

Cooperation with China

Cooperation projects between the two governments focused on:

- Agricultural demonstration centers in Oudomxay (with a focus on upland rice, corn, tea, rubber, livestock, biogas, green houses, fodder and local crops);
- Animal food production factory in Oudomxay;
- Research on rice seeds in Champasack and Vientiane (Napok).
- Support to inspection checkpoints for crops and animals in Luang Namtha, Phongsaly and Vientiane.
- 7 loans dedicated to 7 irrigation projects.

Most activities were implemented through public private partnership agreements.

2. Contribution to policy dialogue

2.1 Consultation process, meetings and topics covered at SWG and SSWG level

2.1.1. SWG-ARD

In 2016 the SWG-ARD organized 3 meetings on the topics selected by its core members.

Below is the list of topics that were discussed and addressed at SWG-ARD level:

- 2016 RTIM road map;
- Nutrition and Nutrition sensitive agriculture;
- Policy Think Tank (PTT) - contribution to policy dialogue and recommended institutional set up;
- MAF ICT strategy;
- Farmers Indebtedness;
- Revision of MAF mandate (Regarding to Forestry and Rural Development);
- Agriculture and Forestry, 5 year Development Plan;
- National Nutrition Strategy to 2025 and Plan of Action to 2020 (NNS-PA) Common Result Framework;

- Project Presentation: Disaster Risk Reduction and Management in Agriculture;
- National Agro Biodiversity Programme;
- Protected Geographic Indication (GI) in Lao PDR;
- Phongsaly Tea Provincial Development Strategy;
- Locust outbreak progression and GoL management programme;
- Rural development Strategy to 2025 and 5 years plan.

The topics to be addressed in 2017 at SWG-ARD level will depend on the SSWGs' work plan. This has to be discussed and determined by the members / participants based on their propositions. However some topics of interest have already been suggested such as:

- Follow up on the MAF contribution to / implementation of the NNS-PA;
- SDG M&E framework;
- NSEDP M&E framework;
- VD-CAP II;
- Chemical residues / Clean Agriculture.

Other topics of interest that contribute to policy dialogue, proposed by relevant stakeholders and approved by the SWG-ARD chair and co-chairs, will be added.

New ways to address these topics such as panel discussion, provincial consultation or technical event organized by some SWG-ARD members “under the umbrella” of the SWG-ARD should also be explored in 2017.

2.1.2. SSWG on Uplands

In 2016, one meeting of the SSWG-Uplands took place. Various solutions to continue addressing the issue of “Uplands” after the end on the DPs' support to the NUDP were presented and discussed. A lot of attention was also paid to the status of the Uplands Development Program to implement the Uplands Development Strategy, and the proposed modality for its implementation.

The technical studies completed and presented in 2016 under the framework of the SSWG-Uplands are:

- Sustainability of Food Security: A Case Study of Small Scale Pig Farms and Fish farms in Vientiane Capital and Vientiane Province, Louang Prabang, Xiengkhouang;
- Study on Food Safety by Detection of E.coli, Salmonella and Clostridium Contamination in Food of the Market at Luang Prabang and Houaphan Province;
- Factors influencing forest resource conservation practices of youth in the Northern Uplands;
- Impact of Contract Farming on Small Farmer Indebtedness in Northern Uplands of Lao PDR “Case studies Boun Neua and Samphanh districts”, Phongsaly province;
- Banana study;
- Benzoin study;
- Lao coffee industry – a commercially integrated commodity development approach;

Plan for 2017: There is so far no plan for any meeting/event under the framework of the SSWG-Uplands in 2017.

2.1.3. SSWG Farmers and Agribusiness

In 2016 the SSWG on Farmers and Agribusiness (SSWG-FAB) addressed the topics below:

- 10 Years of policy dialogue for farmers and agribusiness;
- FOCUS group meeting - lessons for strengthening Farmer Organizations;
- Launch of Lao44 upgrade: New version of Lao44, the largest digital library of development-related materials in Lao language;
- Falling rubber prices in northern Laos: local response and policy options.

In 2017 the SSWG-FAB plans will depend on the proposition formulated by its members, chair and co-chair.

2.1.4. SSWG Agro Biodiversity

In 2016 the SSWG-ABD addressed and discussed the following topics:

- International treaties & conventions related to agro-biodiversity: Lao PDR's commitments & opportunities;
- National Agro-biodiversity Programme and Action Plan II (2015-2025) - NABP II.

In 2017 the SSWG-ABD plans will depend on the proposition formulated by its members, chair and co-chair.

2.1.5. Policy Research Center - Policy Think Tank (PTT)

In 2016 the PTT conducted numerous researches as summarized in the table below:

No.	Relevant research/study	Start Date	End Date	Focal/ responsible person/ Researcher (NAFRI)	Funding Sources	Status
	Research project					
Completed policy research, briefs, synthesis						
1	Sustainable commercial agriculture Production: commercialized banana production in Lao PDR	aug-15	Mar-16	Dr. Vongpaphane Manivong	SDC, NUDP	Completed
2	Development of NTFP High Value Chains for the Uplands of Lao PDR – the case of benzoin production	aug-15	mar-16	Mr. Simon Vongkhamho	SDC, AgroForex & NUDP	Completed
3	Pro poor policy analysis on organic vegetable marketing, production and technology development and increased income for smallholders	nov-14	may-16	Dr. Piya Wongphit & Dr. Thongkhoun Sisaphaithong	Pro-poor Policy Approaches to address risks and vulnerability at country level (FAO-IFAD)	Completed (English)
4	Policy assessment on promotion of rice production and related income with emphasis on increasing smallholders’ welfare in rural Laos	nov-14	jun-16	Mr. Khamphou Phouyyavong		Completed (English)
5	Policy assessment on promotion of rubber production and related income with emphasis on increasing smallholders’ welfare in rural Laos	nov-14	jun-16	Dr. Boundeth Southavilay		Completed (English)
6	The Role of the Agriculture Sector to promote Food Security and Nutrition in Lao PDR	mar-16	jul-16	Dr.Vongpaphane	FAO	Completed (English & Lao)
7	Contract farming	oct-14	sep-16	Dr. Vongpaphane Dr. Phanxay	IFAD - Soum Son Seun Jai	Completed
8	Rice value chain financing in Lao PDR	may-14	mar-16	Mr. Khamphou Dr. Vongpaphane Dr. Aloun	IAED, CAAS	Completed (English)
9	Journal - Update on Rubber in Lao PDR	may-15	may-16	Mr. Phuthasone Ouanesamone	Institut Pasteur du Laos	Completed (Lao)

In 2017, the PTT will, at least work, on the topics listed below:

Planned policy research, briefs, synthesis						
1	Policy brief on commercialized banana production in Lao PDR	oct-16	jan-17	Dr. Vongpaphane Manivong		
2	Policy brief on contract farming in Lao PDR	nov-16	fév-17	Dr. Phanxay Ingxay	NAFRI & IPSARD	
3	Factors and implications of sustainable commercial agricultural production in Lao PDR	jan-17	déc-17	Dr. Vongpaphane Dr. Phanxay, Dr. Bounlert, Dr. Piya, Mr. Simon		
4	Sustainable fisheries & aquaculture for Food Security and Nutrition	jan-17	déc-17	Dr. Kaviphone Phouthavong		

In 2016 the PTT conducted consultations in order to improve its institutional arrangement. The main recommendations in terms of mandate and responsibilities as summarized below:

National Level - Led by NERI, involve all line ministries.

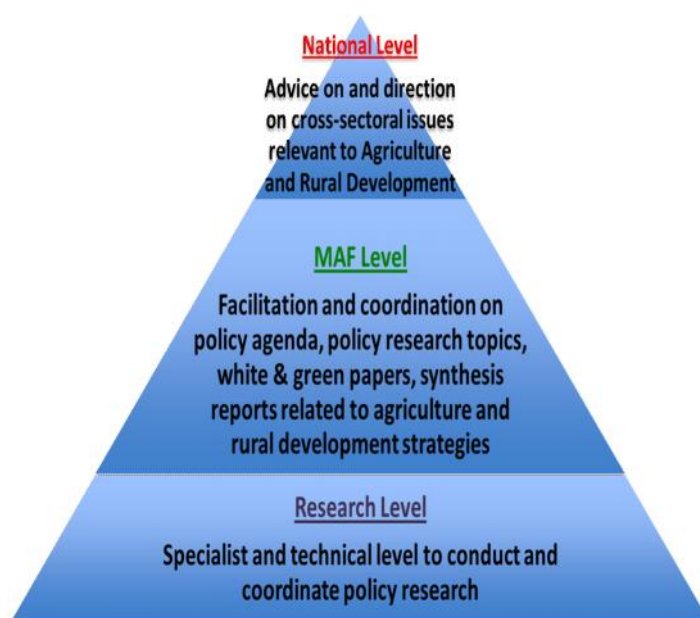
- Advice on cross-sectoral and convergence relevant to all sectors (including ARD);
- Advice on, and review policies relevant to all sectors (including ARD), submit to the GoL;

MAF Level - Committee for Agric. Policy Development.

- Develop policy agenda and identify policy research topics for the ARD Sector;
- Facilitate sector and cross-sectoral coordination in support of policy convergence;
- Prepare / Develop policy brief, white and green papers and synthesis report;
- Perform PTT / Policy Advisory Group secretariat role;

Research Level - PRC, NAFRI & other research institutes.

- Carry out and coordinate policy research;
- Propose policy research topics.



2.1.6. Other related and relevant Working Groups

The SSWG on Forestry, under the umbrella of the SWG on Natural Resources and Environment (NRE), is chaired by the Department of Forest Resource Management (DFRM)

and co-chaired by the JICA. Two meetings were organized in 2016 in good coordination with the SWG-ARD. The topics discussed are listed below:

- Village Forestry Working Group;
- Economic evaluation of NTFP in rural areas in Central Lao PDR;
- 2015 Forest cover assessment;
- Biodiversity conservation corridors;
- REDD+ Progress report.

In 2017, the SSWG on Forestry should come “back” under the umbrella of the SWG-ARD as all kinds of forestry activities came back under the responsibility of the MAF in 2016. However, no fixed agenda was discussed nor presented on this matter.

The INGO/NPA working group on agriculture did not organize any specific event in 2016. The INGO network reports in its website that a total of 62 projects by 28 INGOs are currently implemented in the field of Agriculture, Forestry and Fisheries (Source INGO Directory: www.directoryofngos.org/)

2.2 Vientiane Declaration II Country Action Plan (VD-CAPII)

The VD-CAPII was prepared in 2016 following the adoption of the VDII on Development Cooperation Effectiveness during the 2015 HL-RTM. A draft VD-CAPII was circulated several times in 2016 and numerous SWG-ARD members / participants provided comments on this.

The new document covers the 8 principles of the VDII, namely: 1) Ownership, 2) Alignment, 3) Harmonization & Simplification, 4) Inclusive Partnership for Development Results, 5) Transparency, Predictability, and Mutual Accountability, 6) Domestic Resource Mobilization, 7) South-South Cooperation, Triangular Cooperation, and Knowledge Sharing and 8) Business as a Partner in Development.

The VD-CAPII includes indicative baseline data (2015) and targets (2025), data sources and responsible parties for all formulated indicators; it should therefore be a useful tool to be used and monitored under the SWG / RTM mechanism.

2.3 Contribution to RTM

2.3.1. Sector Working Group contribution to the RTM background document

The SWG-ARD secretariat prepared an annual report following the model of the previous year and the recommendations provided by the MPI. However some information requested could not be included because it is not covered by the SWG-ARD so this document is, to date, the main SWG-ARD contribution to the RTM background document.

2.3.2. Sector Working Group contribution to the RTM meeting and development

All SWG-ARD members (Government, DPs, INGOs, NPAs and some private sector representatives) actively took part in the SWG-ARD activities in 2016 and all relevant members will be invited to contribute to the event in November 2016.

The SWG-ARD Secretariat encourages all its members to contribute to the development exhibition through communication on their activities and achievements. The SWG-ARD secretariat officers will be available to welcome participants and visitors. Documents and agricultural products will be displayed.

2.4 Progress against the RTM Follow Up Action

The MPI document entitled: “Follow-up Actions on The Key Discussion Points from the 2015 High Level Round Table Meeting” summarizes the main objectives and priorities following the 2015 HL-RTM.

The 7 action points below listed relate to agriculture:

- 1) Strengthen capacity for macroeconomic and fiscal management;
 - 2) Provide quarterly economic data (budget execution, public debt, monetary date, financial sector stability indicators);
 - 3) Reform tax policy and administration framework to increase tax base, review exemption policies, simplify tax payment, and introduce and simplify insurance of unique tax ID;
 - 4) Keep tight control over expenditure and re-allocate spending to more efficient uses;
 - 5) Increase fiscal buffers and strengthen prospects for fiscal sustainability;
 - 6) Keep credit growth in line with objectives of low inflation and financial sector stability;
 - 7) Sustain competitiveness of the real exchange rate.
- ⇒ These points were not addressed at SWG-ARD level.

The 3 actions below listed relate to “Increased Investments to the Priority Sectors”:

- 1) Enhance formal social protection mechanisms which should be accompanying public investments in health and education.
 - 2) Enhancing productive capacities in rural areas through support for agriculture development and rural infrastructure;
 - 3) Accelerate infrastructure development, budget for and carry out period maintenance.
- ⇒ These points were not addressed at SWG-ARD level.

The 12 action points below relate to Food Security and Nutrition:

- 1) Improve coordination, structure and enhance capacity of Food and Nutrition Security (FNS) Secretariat at both central and local levels;
 - 2) Integrate the Multi-sectoral Food and Nutrition Security (Convergent) Action Plan into the NSEDG;
 - 3) Enhance delivery and quality through extension of FNS activities to provinces, districts and communities;
 - 4) Integrate water and sanitation (WASH) activities and policies into multi-sector strategy;
 - 5) Improve knowledge of community and quality of health services;
 - 6) Develop a concept note on how to link FNS to climate change and forest coverage and strengthen the (Department of Disaster Management and Climate Change) DDMCC in its capacity to implement climate change mitigation/adaptation programs;
 - 7) Enhance structure and integrate FNS in sub-national level;
 - 8) Clarify the place of FNS in all SWGs (i.e., mainstream FNS into SWGs);
 - 9) Consider food accessibility and consumption in addition to availability;
 - 10) Better consider the impact of infrastructures on MDG1 / poverty reduction;
 - 11) Involve private sector for the implementation of the FNS convergent action plan;
 - 12) Create FNS a M&E framework that builds on existing structures at national and sub-national levels;
- ⇒ Some issues and recommendations were addressed in 2016 at Sector / SWG-ARD Level:

A cycle of training was completed in 2016 in 7 Provinces / 13 Districts on the themes of:

- The nutritional requirements of human beings at different stages of their lives;
- The consequences of malnutrition on pregnant and lactating women and their babies and infants;
- The different types of nutrients and the foods they occur in;

- NNS-PA, PIs and convergence.
- ⇒ The training sessions targeted a total of 151 civil servant from PAFO, DAFO, LWU and Province and District Education Offices;
- ⇒ 20 Master trainers (15 at MAF Level and 5 at PAFO level) and 35 Provincial trainers were trained.

The NAFRI/FAO finalized a white paper / policy brief on the Role of the Agriculture Sector to promote Food Security and Nutrition in Lao PDR. The document was presented and disseminated to the SWG-ARD.

The MAF worked on mapping all nutrition sensitive agriculture interventions contributing to the NNS-PA at national level (in relation to the 4 agriculture related PI listed in the NNS-PA). This is an on-going work that includes geographical and financial informations.

Nutrition was on the agenda of all SWG-ARD meetings either through a dedicated presentation or through an information update included with the SWG-ARD secretariat's presentation.

The issue of nutrition is emphasized in the 8th NSEDP but there is no mention of the MFNS-AP or convergent approach to tackle this issue. The 8th NSEDP M&E framework that was developed in 2016 includes relevant nutrition related indicators.

The MAF has started to systematically communicate on the NNS-PA and nutrition sensitive agriculture Priority Interventions (PIs) to all DPs and stakeholders formulating or implementing new projects. NNS-PA is also systematically disseminated to stakeholders, through national and sub-national meetings / workshops, so they are informed of national nutrition priorities. This happens through multi-sectoral co-ordination, sector specific coordination and the Round Table Process.

A mechanism for monitoring and reporting on priority NNS-PA interventions is being established (report format and regular reporting process) under the leadership of NNC. A NNS-PA draft common result framework was also presented to a SWG-ARD meeting in June 2016.

⇒ *Some of the main challenges met relate to:*

Scaling-up NNS-PA implementation at the local level, improve the quality and coverage of nutrition sensitive agriculture interventions implementation at the local level.

Stakeholder coordination: National and sub-national nutrition coordination structures need to be strengthened.

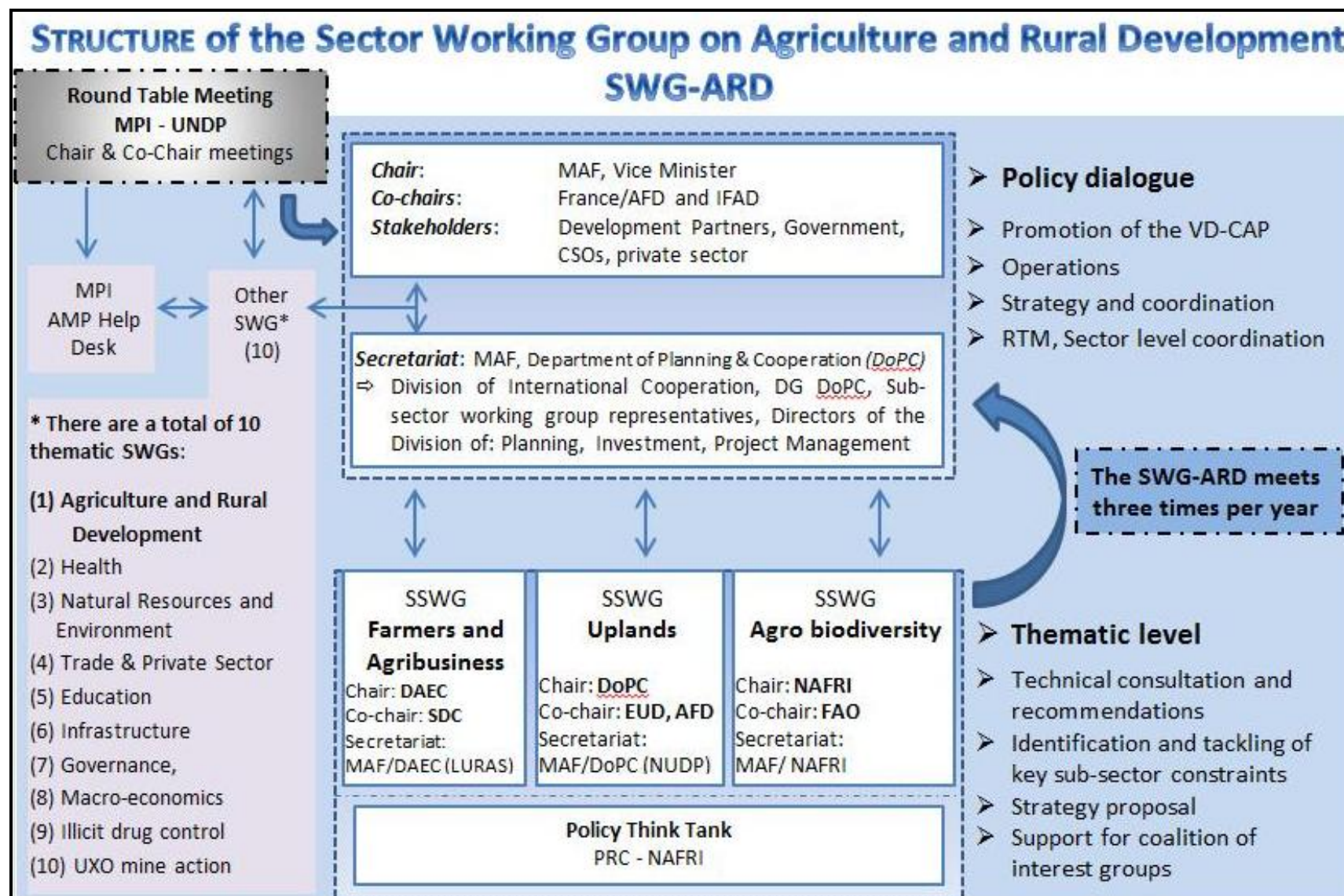
Local / Subnational capacity is limited to implement the increasing number of ODA nutrition related projects.

Alignment & harmonization: Organizations' mandate, donors, legal and financial requirements are sometimes not in complete alignment with national priorities. Each partnership has to be formalized separately. Also, many donors require their own baseline/endline studies and evaluations. The value of disparate studies, especially household based surveys to monitor impact and outcome level indicators remains limited to small geographic areas and cannot be aggregated to provide national trends.

There is no formal national information system on nutrition; however a project is currently working on the establishment of a National Information Platform on Nutrition.

The administrative data collection system needs to be strengthened by integrating nutrition-relevant indicators into data collection and reporting.

Efforts need to be better coordinated in the implementation of household based surveys measuring impact and outcome indicators in different / small geographic areas.



SWG-ARD, main contacts and most relevant links

Contacts

Secretariat SWG-ARD:	swgard.secretariat@gmail.com
Secretariat SSWG Uplands:	sswgup@gmail.com
Secretariat SSWG Agri-Business:	subswgab@gmail.com
Secretariat SSWG Agro biodiversity:	sSWG.ABD@gmail.com
Coordinator Policy Think Tank:	v.manivong@gmail.com
MAF-DIC Mail:	laomafdici@yahoo.com
RTP Secretariat:	rtpsecretariat@gmail.com

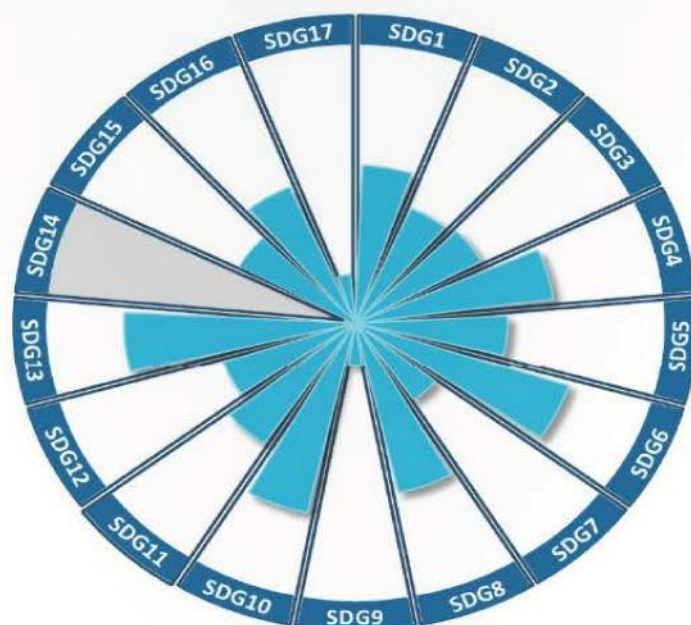
Web sites

SWG-ARD:	http://swgard.maf.gov.la
Round Table Meeting:	http://www.rtm.org.la
Ministry of Agriculture:	http://www.maf.gov.la
NAFRI	http://www.nafri.org.la
NUDP Website:	http://www.nudplao.org

Annex 3: Lao PDR - SDG performance per indicator

Lao PDR			
OVERALL SDG PERFORMANCE	Global rank	Score or value	Regional average
SDG Index	107 (of 149)	49.9 /100	54.6 /100
Comparison with other development metrics			
Human Development Index, 2014	141 (of 188)	0.58 /1	0.66 /1
Subjective Wellbeing, 2015	90 (of 149)	4.9 /10	5.1 /10
GDP per capita, PPP, 2015	106 (of 149)	US\$ 5335	US\$ 13672
Global Competitiveness Ind., 2016	83 (of 140)	4 /10	4.2 /10
Environmental Perf. Index, 2016	148 (of 180)	50.3 /100	61.3 /100

AVERAGE PERFORMANCE BY SDG



SDG DASHBOARD



Lao PDR - Performance by indicator

Indicator	Value	Rating
SDG1		
Poverty headcount ratio at \$1.90 a day (%)	30	●
SDG2		
Prevalence of undernourishment (%)	18.5	●
Cereal yield (t/ha)	4.5	●
Prevalence of stunting, under-5s (%)	43.8	●
Prevalence of wasting, under-5s (%)	6.4	●
Sust. Nitrogen Management Index (0-1)	n/a	●
SDG3		
Under 5 mortality (per 1000 live births)	66.7	●
Maternal mortality (per 100,000 live births)	197	●
Neonatal mortality (per 1000 live births)	30.1	●
Physician density (per 1000)	0.2	●
Incidence of tuberculosis (per 100,000)	189	●
Traffic deaths (per 100,000)	14.3	●
Adolescent fertility (births per 1000)	94	●
Subjective wellbeing (0-10)	4.9	●
Healthy life expectancy at birth (years)	57	●
Infants who receive 8 WHO vaccines (%)	87	●
SDG4		
Expected years of schooling (years)	10.6	●
Literacy rate of 15-24 year olds (%)	83.9	●
Net primary school enrolment rate (%)	97.3	●
SDG5		
Women in national parliaments (%)	25	●
Female years of schooling (% male)	64	●
Female labor force participation (% male)	n/a	●
Unmet demand for contraceptives (%)	35.3	●
SDG6		
Access to improved water (%)	75.7	●
Access to improved sanitation (%)	70.9	●
Freshwater withdrawal (%)	1	●
SDG7		
Access to electricity (%)	70	●
Access to non-solid fuels (%)	5	●
CO ₂ from fuels & electricity (MtCO ₂ /TWh)	n/a	●
SDG8		
Automated teller machines (per 100,000)	17.4	●
Adjusted growth rate (%)	0.5	●
Unemployment rate (%)	1.6	●

Indicator	Value	Rating
Child labor (%)	10.1	●
SDG9		
R&D expenditures (% GDP)	n/a	●
Logistics Performance Index (1-5)	2.2	●
Quality of overall infrastructure (1-7)	3.9	●
Mobile broadband subscriptions (per 100)	2.5	●
Internet use (%)	14.3	●
SDG10		
Gini index (0-100)	36.7	●
SDG11		
PM2.5 in urban areas (µg/m ³)	27.5	●
Improved water source, piped (%)	63.9	●
SDG12		
Wastewater treated (%)	0	●
Municipal solid waste (kg/person/year)	0.7	●
SDG13		
CO ₂ emissions from energy (tCO ₂ /capita)	0.2	●
Climate change vulnerability (0-1)	0.2	●
SDG14		
Ocean Health Index - Clean waters (0-100)	n/a	●
Ocean Health Index - Biodiversity (0-100)	n/a	●
Ocean Health Index - Fisheries (0-100)	n/a	●
Marine sites, completely protected (%)	n/a	●
Fish stocks overexploited or collapsed (%)	n/a	●
SDG15		
Red List Index of species survival (0-1)	0.8	●
Annual change in forest area (%)	8.6	●
Terrestrial sites, completely protected (%)	6.7	●
SDG16		
Homicides (per 100,000)	5.9	●
Prison population (per 100,000)	69	●
Feel safe walking at night (%)	74.5	●
Corruption Perception Index (0-100)	25	●
Registered births (%)	74.8	●
Government efficiency (1-7)	3.8	●
Property rights (1-7)	3.6	●
SDG17		
Official development assistance (% GNI)	n/a	●
Tax revenue (% GDP)	23.9	●
Health, Education & R&D spending (% GDP)	n/a	●

Detailed metadata and quantitative thresholds used for each indicator are available online at www.sdgindex.org. Data refer to the most recent year available during the period specified in the metadata.

Discussion Point 4 - Agriculture

A significant and phased modernization in the agriculture sector is required to enable the country to proceed on its development path of transformation. Improving agricultural productivity, better linking it to climate change resilience and ensuring land tenure security are among the top priorities. Sustainable management of water resources and the downstream potential of hydropower projects should be fully harnessed.

Proposed Key Follow up Activity	Specific Key Result	Time-Frame	Lead Agency, relevant SWGs and supporting Development Partners	Related 8 th NSEDP Result when applicable
4.1 Modernize the agriculture sector				
4.2 Improve agricultural productivity – improve the value of agricultural products, and inclusive benefits at all stages of the value chain	<p>Improving the value through fair trade certification (coffee) and Geographical Indications (coffee, rice)</p> <p>“Strategic Plan for National Organic Agriculture Development 2025, Vision Towards 2030” was established.</p> <p>Promotion of organic agriculture was improved through capacity building for trainers of Clean Agriculture Development Center of MAF.</p> <p>Inspection of organic agriculture was strengthened through capacity building for inspectors of Department of Agriculture of MAF.</p>	<p>By 2020</p> <p>Jan. 2016</p> <p>(Sep. 2013) – Sep. 2016</p> <p>(Sep. 2013) – Sep. 2016</p>	<p>MAF CPC AFD FAO (for GI)</p> <p>MAF/JICA</p> <p>MAF/JICA</p> <p>MAF/JICA</p> <p>SDC (through TABI, LURAS)</p>	<p>Apply a clean agriculture policy (8.4.3)</p> <p>Apply a clean agriculture policy (8.4.3)</p> <p>Apply a clean agriculture policy (8.4.3)</p>
4.3 Ensure trade expansion in agriculture products and develop agricultural value chains, contract farming and inter professional organizations (such as for the coffee sector)	<p>Promotion of fair trade (for coffee for the moment)</p> <p>Organize and Develop the coffee sector in the North</p> <p>Development of specific value chains linked to nutrition (North)</p> <p>Development of Geographical Indications for coffee and Khao khai noy</p>	B2020	MAF/CIRAD/FAO/AFD	
4.4 Promote agro ecological practices (at national and regional level) such as organic farming, conservation agriculture and agro-forestry	<p>crop-livestock integration on a territory</p> <p>Accompanying the emergence of a regional network on agroecological practices (CANSEA)</p> <p>Strengthening knowledge and experience sharing among the actors</p>	By 2020	MAF/GRET/CIRAD/AFD	

			SDC (through TABI)	
4.5 Ensure a better linking the sector to climate change resilience	Promotion of Climate-resilient agricultural practices (EFICAS project)	By 2019	MAF EU CIRAD	
4.6 Ensure land tenure security	Implementation of PLUP to secure village boundaries (NUDP+EFICAS Projects)	By 2020	MAF/UE/CIRAD/AFD SDC (through various projects such as TABI, MRLG)	
4.7 Ensure sustainable management of water resources and the downstream potential of hydropower projects	Preservation of water intake/catchment in clean water supply schemes (SARI Project)	By 2020		

Discussion Point 5 - Increased Investments to the Priority Sectors

Lao PDR can also benefit from targeting expenditures to priority social sectors to impact both the unfinished MDGs and longer-term SDG targets. Public investments in health and education should accompany formal social protection mechanisms to build resilience. Enhancing productive capacities in rural areas through support for agricultural development and rural infrastructure will have direct development impact at the local level. In this context, Development Partners and Government can increasingly pursue co-financing of investments into these core sectors. In parallel to accelerating infrastructure development, budgeting for, and carrying out periodic maintenance will contribute to longer-term resilience and sustainability.

Proposed Key Follow up Activity	Specific Key Result	Time-Frame	Lead Agency, relevant SWGs and supporting Development Partners	Related 8 th NSED Result when applicable
5.1 Enhance formal social protection mechanisms which should be accompanying public investments in health and education				
5.2 Enhancing productive capacities in rural areas through support for agriculture development and rural infrastructure	Capacity building for PAFO/DAFO and farmers Financing of Irrigation schemes (SARI Project) Promotion of more efficient agricultural practices	By 2025	MAF/UE/AFD SDC (through TABI, LURAS, SURAFICO, PRF)	
5.3 Accelerate infrastructure development, budget for and carry out period maintenance				

Discussion Point 7 - Food and Nutrition Security

Stakeholders expressed appreciation for the Government's 'convergence approach' for Food and Nutrition Security. Tackling malnutrition in particular the acceleration of the implementation of the 'convergence approach' through multi-stakeholders' involvement will remain one of the foremost priorities of the Government, which is critical for human resource based economic growth.

Proposed Key Follow up Activity	Specific Key Result	Time-Frame	Lead Agency, relevant SWGs and supporting Development Partners	Related 8 th NSEDP Result when applicable
7.1 Improve coordination, structure and enhance capacity of Food and Nutrition Security Secretariat at both central and local levels	<p>A cycle of training was completed in 2016 in 7 Provinces / 13 Districts on the themes of:</p> <ul style="list-style-type: none"> - The nutritional requirements of human beings at different stages of their lives; - The consequences of malnutrition on pregnant and lactating women and their babies and infants; - The different types of nutrients and the foods they occur in; - NNS-PA, PIs and convergence. - The training sessions targeted a total of 151 civil servant from PAFO, DAFO, LWU and Province and District Education Offices; - 20 Master trainers (15 at MAF Level and 5 at PAFO level) and 35 Provincial trainers were trained. <p>The NAFRI/FAO finalized a white paper / policy brief on the Role of the Agriculture Sector to promote Food Security and Nutrition in Lao PDR. The document was presented and disseminated to the SWG-ARD.</p>		<p>EU</p> <p>FAO</p> <p>SDC (through ENUFF)</p>	
7.2 Integrate the Multi-sectoral Food and Nutrition Security (Convergent) Action Plan into the NSEDP	The issue of nutrition is emphasized in the 8th NSEDP but there is no mention of the MFNS-AP or convergent approach to tackle this issue. The 8th NSEDP M&E framework that was developed in 2016 includes relevant nutrition related indicators.			
7.3 Enhance delivery and quality through extension of FNS activities to provinces, districts and	<p>Training on nutrition for local authorities</p> <p>The MAF has started to</p>	2018-2023	<p>MAF/Ministry of Health, UE/AFD</p> <p>MAF</p>	

Proposed Key Follow up Activity	Specific Key Result	Time-Frame	Lead Agency, relevant SWGs and supporting Development Partners	Related 8 th NSED Result when applicable
communities	systematically communicate on the NNS-PA and nutrition sensitive agriculture Priority Interventions (PIs) to all DPs and stakeholders formulating or implementing new projects. NNS-PA is also systematically disseminated to stakeholders, through national and sub-national meetings / workshops, so they are informed of national nutrition priorities. This happens through multi-sectoral co-ordination, sector specific coordination and the Round Table Process.		SDC (through ENUFF)	
7.4 Integrate water and sanitation (WASH) activities and policies into multi-sector strategy			SDC (through ENUFF)	
7.5 Improve knowledge of community and quality of health services	Construction of clean water supply and training on maintenance (SARI)	By 2020	MAF/AFD SDC (through ENUFF)	
7.6 Develop a concept note on how to link FNS to climate change and forest coverage and strengthen DDMCC in its capacity to implement climate change mitigation/adaptation programs				
7.7 Enhance structure and integrate FNS in sub-national level	The MAF worked on mapping all nutrition sensitive agriculture interventions contributing to the NNS-PA at national level (in relation to the 4 agriculture related PI listed in the NNS-PA). This is an on-going work that includes geographical and financial informations.		MAF	
7.8 Clarify the place of FNS in all SWGs (i.e., mainstream FNS into SWGs)	Nutrition was on the agenda of all SWG-ARD meetings either through a dedicated presentation or through an information update included with the SWG-ARD secretariat's presentation.			

Proposed Key Follow up Activity	Specific Key Result	Time-Frame	Lead Agency, relevant SWGs and supporting Development Partners	Related 8 th NSED P Result when applicable
7.9 Consider food accessibility and consumption in addition to availability			SDC (through ENUFF, TABI)	
7.10 Better consider the impact of infrastructures on MDG1 – poverty reduction				
7.11 Involve private sector for the implementation of the FNS convergent action plan				
7.12 Create FNS M&E framework that builds on existing structures at national and sub-national levels	A mechanism for monitoring and reporting on priority NNS-PA interventions is being established (report format and regular reporting process) under the leadership of NNC. A NNS-PA draft common result framework was also presented to a SWG-ARD meeting in June 2016.		NNC SDC (through ENUFF)	

EDUCATION (ESWG)

SWG Chair:

- Minister of Education and Sports

Co-chairs:

1. John Williams, Australian Ambassador to Lao PDR
2. EU Ambassador

SWG Secretariat Focal Points:

- Government Officials:

1. Dr. Bounpanh Xaymountry, Director General, Department of Planning, Ministry of Education and Sports

- Development Partners:

1. Ms. Clemency Oliphant, First Secretary, Australian Embassy to Lao PDR
2. Mr. Bryan Fornari, Head of Cooperation, Delegation of the EU to Lao PDR

Technical Supporting Staffs:

- Government Officials:

1. Mr. Anoupheng Keovongsa, Director of Projects Management Division
2. Mr. Souksamone Xaphouvong, Technical Official, Projects Management Division
3. Ms. Vanhseng, Technical Official, Project Management Division

- Development partners:

1. Ms. Chindavanh Vongsaly, Education Programme Officer
2. Ms. Bounmy Souvannalath, Senior Programme Officer, Australian Embassy
3. Ms. Moukdavanh Sysouphanthavong, Policy and Operations Coordinator,

SWG key mandate:

- Promote development of the Education Sector through implementation of the ESDP, with attention to gender equality;
- Provide a mechanism for government and development partners to engage in joint review, planning and prioritization, resulting in the production of an Annual Costed Sector Plan, based on the ESDP, and aligned with GoL planning and budget cycles.
- Mobilize and encourage the efficient use of combined GoL and external resources and increase the transparency and predictability of Development Partner assistance within the sector.
- Support the achievement of specific aid effectiveness milestones as set out in the VDCAP 2011-2015.

I. Overall progress towards sectoral outcomes and results

1.1 Brief report of the sector key interventions and achievement within 2016

At the policy level, key policies including the Education Sector Development Plan (ESDP) 2016-20 and the updated Education Law were completed, which are importance to guide the development of education sector for the next five years. The ESDP 2016-20 was based on an

agreed Theory of Change, with 11 outcomes supporting the overall goal. These outcomes are consistent with the fourth Sustainable Development Goal (SDG) which focuses on quality improvement. With a support from development partners a comprehensive financing plan to cost the ESDP 2016-20 was developed, which translates the plan to costs of the five year plan. The Education Law has been updated to respond to ASEAN integration and the fourth Sustainable Development Goal. A key feature of the new law is that free and compulsory education has been extended to include lower secondary education.

There have been some significant developments and key focuses in the education sector during 2016. This year is the transitional period as the first year of the implementation of the 8th five year Education Sector Development Plan (ESDP) 2016-2020. In collaboration with Development Partners, the annual sector plan 2016-2017 will be soon completed or was already completed?, which are based on the ESDP 2016-2020. In parallel that development, all sub-sectoral plans will about to be completed. To monitor and evaluate the annual sector plan, a sectoral comprehensive monitor and evaluation framework is being developed in consultation and collaboration with all relevant stake holders. Furthermore, during this year Aid Memoir-Joint Review Mission 2015 was approved and signed off by the Minister of Education and Sports, the Australian Ambassador and EU Charge d' Affaire as co-chairs of the ESWG to Lao PDR as a joint effort to implement the agreements of JSRM 2015.

Furthermore, as the result the ESWG Technical Meeting on 24 May 2016 and Chair-Co-chair meeting on 24 October 2016, the ESWG members have consensus agreed to strengthen ESWG coordination mechanism, Term of Reference of the ESWG: Focal Groups (FG)/Technical Working Groups (TWGs) including Joint Sector Review will be revised to increase efficiency and effectiveness as the forum to deepen technical discussion that contributed to the implantation of the ESDP. A review of the FGs/TWGs' functionality will be mainly focused. Furthermore, to discuss the way forward how to improve the functionality of FGs/TWGs, which will help support the implementation of the ESDP at the sub-sector level.

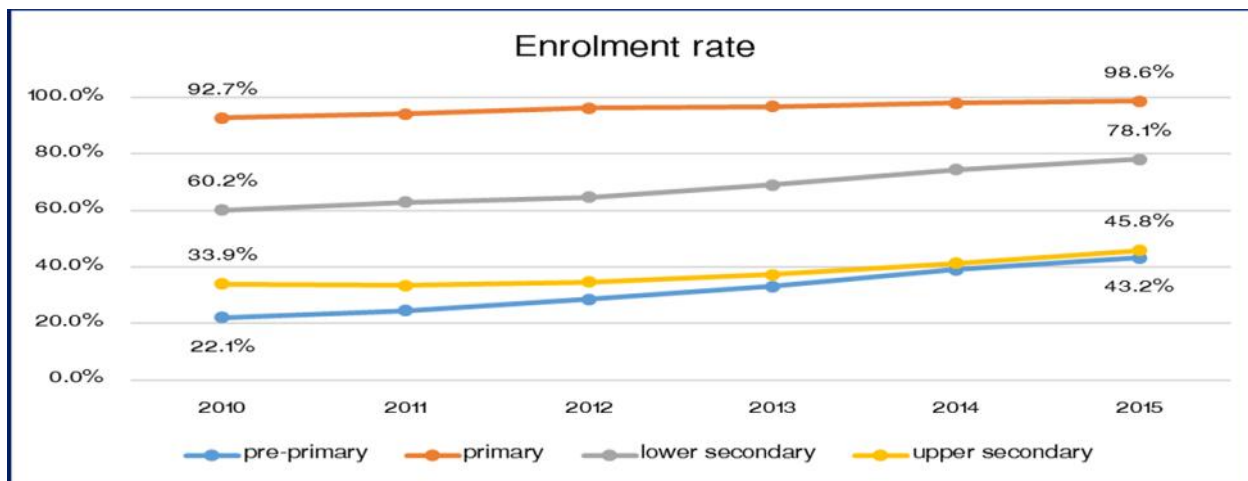
An ESWG Technical Level Meeting was organised on 27 May 2016 and 16 November 2016. One of the key meeting objectives of was to disseminate the key discussion points related education sector including to food and nutrition security and key education indicator including grade1 dropout and survival rate raised during the High Level Round Table Meeting 2015.

MDG2 - Education:

The accomplishment of the MDG 2 at the national level, the Lao PDR has reached 98.5% of primary net enrolment rate was over the target by 0.5%. The survival rate to Grade 5 was achieved to only 78.3% in 2014-2015 against the target of 95% in 2015. This means that the target could not be achievable by 16.7%

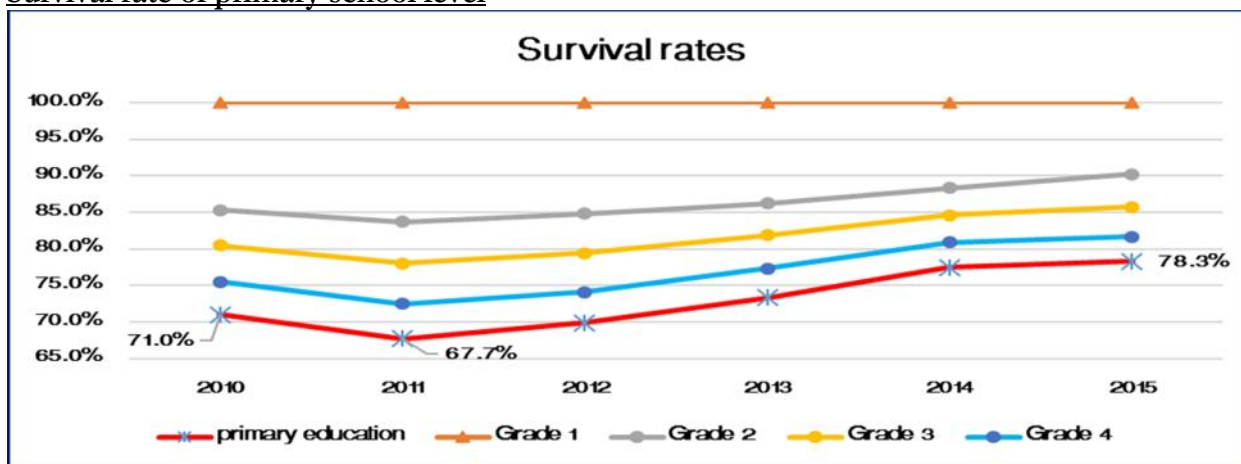
The accomplishment of the implementation of MDG number 3 on gender parity for 3-5 year olds was achieved in 2015. However, at higher level of education, the gender parity indicator has reduced.

Net enrolment rate of all levels of education



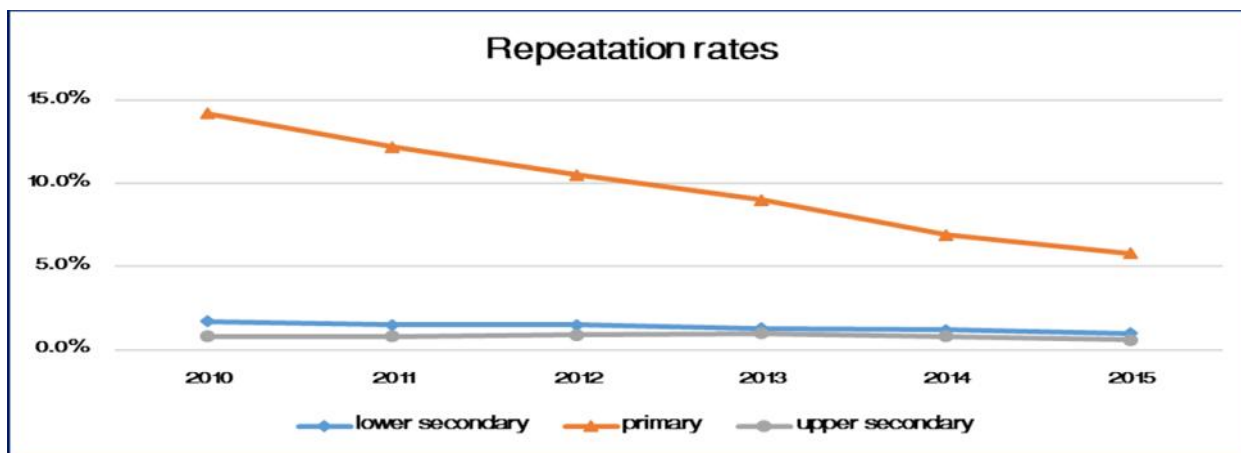
Source: Statistic Center, MoES

Survival rate of primary school level



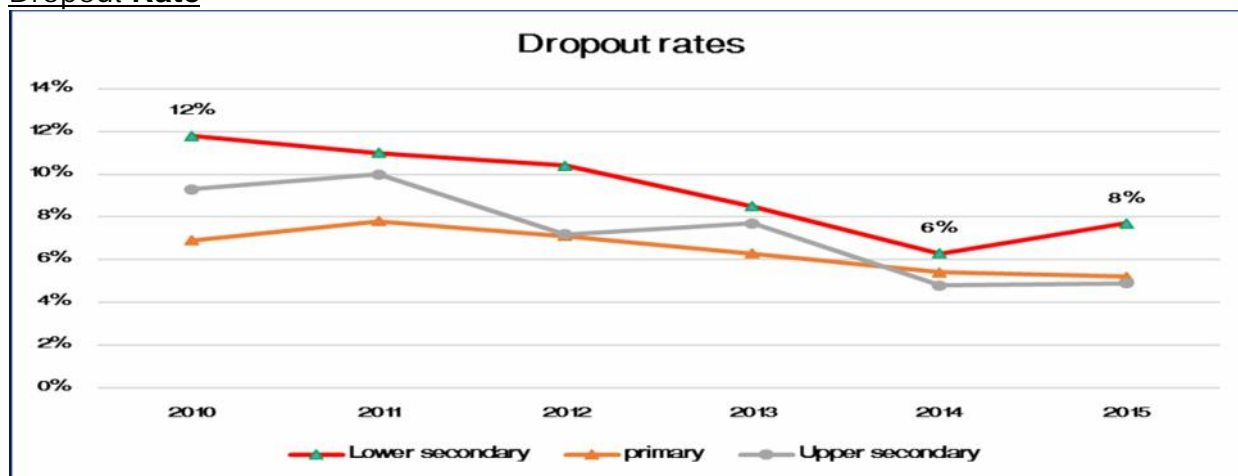
Source: Statistics Centre, MoES

Grade Repeation Rate



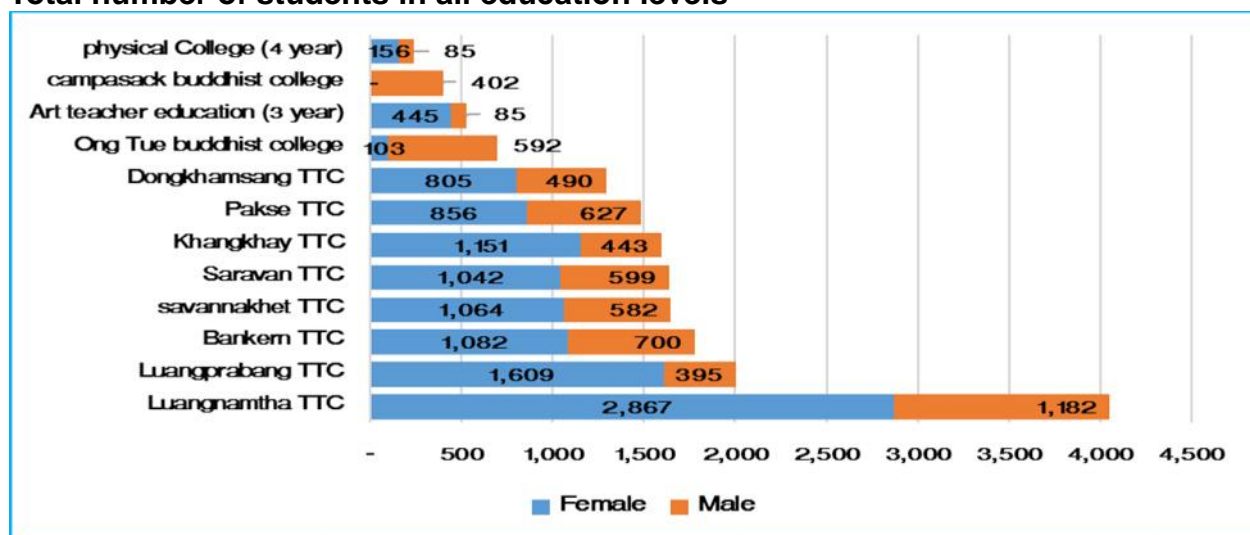
Source: Statistic Centre, MoES

Dropout Rate



Source: Statistics Centre, MoES

Total number of students in all education levels



Source: Statistics Centre, MoES

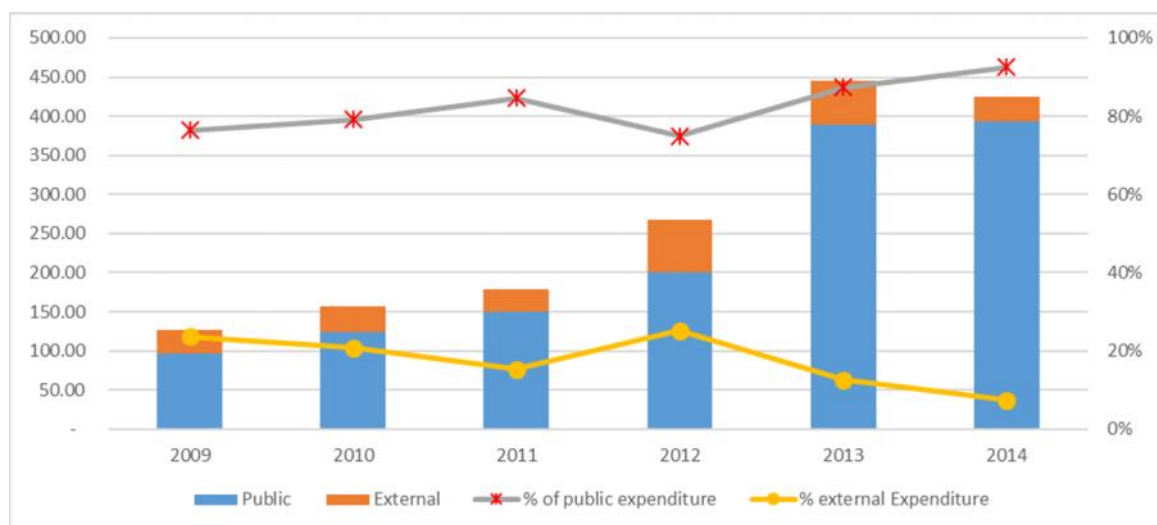
1.2 Overview on the investment in the Education and Sports Sector

In order to ensure the overarching goal, specific goals, targets and focus areas of the education sector will be met, both public and external investment needs to reach the sector budget requirement of 18 percent of the national budget allocation. Thus, to improve key education indicators including an increase the young people's access to education and survival rate at all level of education across the country a as key discussion points came out from the 12th HL RTM 2015, there is a need to increase more public and external investment particularly non-wage investment categories. 2016-2017, a number projects have been implemented to support development of education basic infrastructure: schools, text books, dormitories, kitchens, multi-purposes meeting room, etc. 2010-2015, 173 projects were implemented with the total value of 430.60. 430.60 (24.96 USD million funded GoL and 405.64 USD million externally funded). 2016-2017, 83 projects with the total value of 46,527,161 USD have been implemented and the disbursement was 32, 681, 227 USD million at the first half of 2016-17.

A number of large projects continue to be implemented in 2016, including the World Bank funded Early Childhood Education Project; the Australian funded Basic Education Quality and Access in Lao PDR (BEQUAL) which will also receive co-financing from the EU; the second Global Partnership for Education funded project (GPEII) that focuses on school based management at primary level; and the German and Swiss co-funded Vocational Education in Laos/VELA-FC program aimed at improving a quality access to vocational training and also to improve the qualifications of vocational instructors. Japan continue to support the Project for Improving Teaching and Learning Mathematics and in a process of preparing a new project (school building); and INGOs continue to support primary education across the country through a range of interventions reaching the most disadvantaged children are not mentioned in this sector progress report 2016. UNICEF has supported printing and distribution of primary textbooks and WASH. GIZ has piloted a program for disadvantaged persons leading to TVET Certificate 1 and Certificate 2 to enable young people who have not complete lower secondary education to enrol in formal TVET courses. ADB has approved two projects including STVETP is in a preparation stage for phase II, A new multi-bilateral project (Lao/029) was recently approved to strengthen and improve skills of laborers in the tourism and hotel sector. The environment of Secondary Schools have improved in the central and southern parts of Lao PDR.

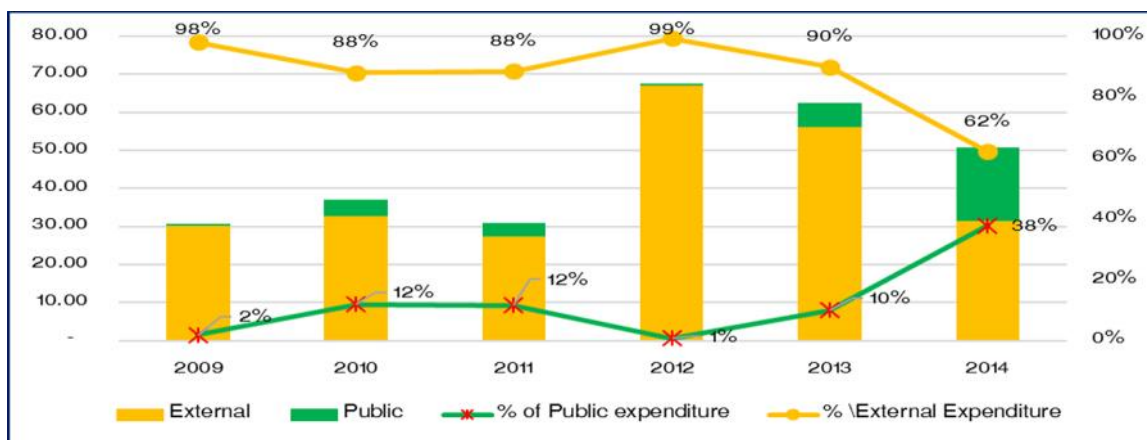
In order to increase aid effectiveness, the Ministry of Education and Sports has already completed the decree on ODA Management, No. 5432 dated 14/10/2015 as a guideline in reporting and summarizing implementation of programmes and projects, monthly, semi-annually and annually. This includes a performance review of individual experts which will ensure the appropriate investment level in the education sector in particular the ODA funded programmes and projects in order to meet the targets, efficiency and effectiveness that outlined in the programmes' and projects' objectives.

Total spending in Education included salary (USD Million)

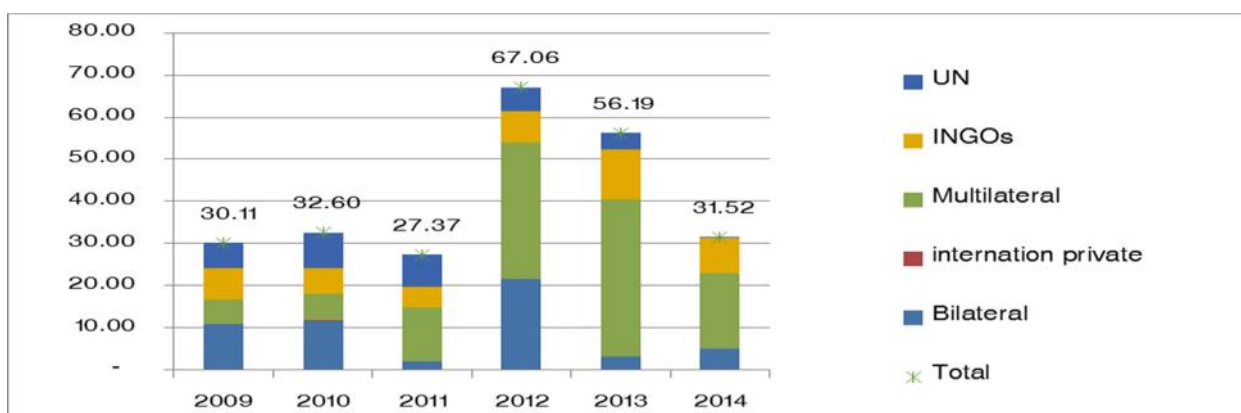


Source: Department of Planning (Assessing expenditure in Laos 2009-2014)

Total spending in Education (only capital USD Million)

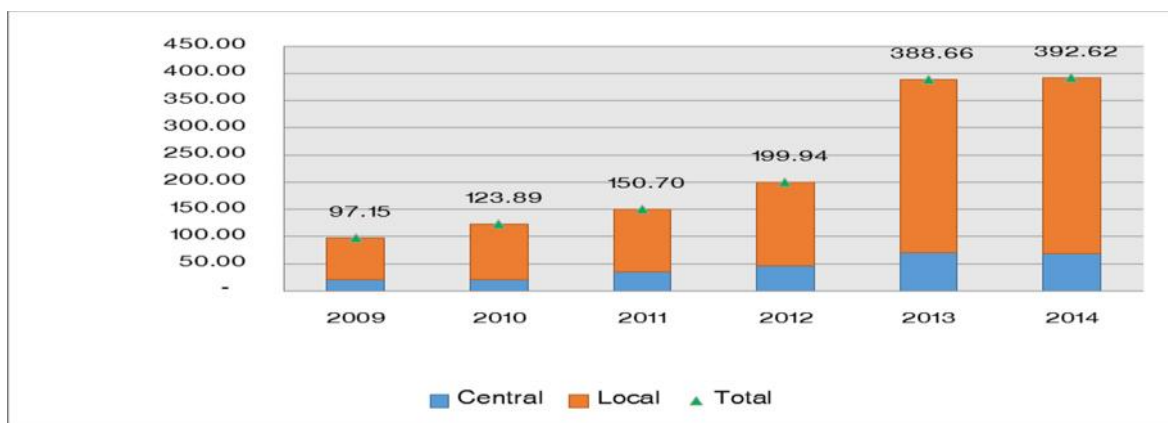


External Expenditures on Education (USD Million)



Source: Department of Planning (Assessing expenditure in Laos 2009-2014)

Public Expenditure in education (USD Million)



Source: Department of Planning (Assessing expenditure in Laos 2009-2014)

II. Overview of Sector Performance in 2016

As the chair of the Education Sector Working Group (ESWG), MOES with support of Development Partners has identified key activities to respond to key recommendations and discussion points of the 12th HLRTM 2015 that are directly related to the education and sports sector. With a strong and close coordination with the Australian Embassy and EU as co-chairs of the ESWG, and ESWG technical level meeting was organised to disseminate the 12th HLRTM key recommendations/discussion points to line departments and other relevant organisations within MOES. One of the key objectives was to have those relevant organisations being officially informed and to gain their full support in follow-up actions to implement the key recommendations mentioned below:

With the support of Development Partners, key projects and programmes with budget support and mobilisation of human resource have been identified to contribute to the successful implementation of the 12th HLRTM key recommendations/discussion points. Furthermore, the interventions should be aligned, harmonised and appropriate with the current situation and the below key focused areas have been implemented in response to the key recommendations/discussion points.

Sector outputs and activities	Progress	Challenges and opportunities
A. Thematic (substantive) areas		
1. Actions/activities relating to the 12th HL RTM key recommendation/discussion points		
<p>1.1. Food and Nutrition Security: the programme has been implemented by Ministry of Health, Ministry of Agriculture and Forestry and the Ministry of Education and Sports. Three key areas focuses of MoES in response to the issues of FNS are the Schools Meals Programme, school gardening, integration of school gardening manual to the curriculum of the primary education level and distribution of anti-parasites drug.</p> <p>a. School Meals Programme MOES endorsed policies and strategies on school meals programme toward 2025 and a five year action plan (2016-2020) to guide the implementation of school meals programme.</p> <p>b. School gardening The selection process of the targeted villages was completed, which will be involved in the Nutrition Pilot Project. The project will be focused on school gardening and implemented in the provinces of Luangnamtha and Bolikhamxay.</p>	<ul style="list-style-type: none"> - The result of the implementation has attracted more children to access education particularly in remote areas. Moreover, to improve quality of education this will help increase net enrolment rate and survival rate of all levels of education. This will in turns reduce the disparity between levels of education in major cities and rural areas. - Furthermore, in close coordination with Development Partners, MOES has been implementing ongoing school meals programme, which has produced some key progress including the establishment of 23 ethnic boarding schools across the country and 11,956 students (5,047 girls and 6,909 boys) have benefited from the programmes. - A project supported by Global Partnership for Education covers 312 schools in the 10 poorest districts of 5 provinces including Phongsaly, Oudomxay, Houaphanh, Sayaboury and 	<p>-Food is not being prepared/cooked (in one month, 80% of the food hadn't been prepared - 70% had limited cooks, 20-40% had water issues and contribution of the community was also another challenge. WFP only provide rice and oil, and not all communities can contribute.)</p> <p>- Some schools do not have gardens have limited land availability or access to water (particularly the mountainous regions).</p> <p>-Community ownership is hindering school garden activities in some schools.</p> <p>-LEAPS project will end in 2016 The solution being implemented by CRS are THR for cooks if they prepare meals for the whole month, partial THR for schools that sometimes cook, and no THR if there was no cooking (this is across one month)</p>

Sector outputs and activities	Progress	Challenges and opportunities
<p>c. Integration of school gardening and nutrition to school curriculum In coordination with Research Institute for Education and Science, the topics of school gardening and nutrition were completely integrated into the primary school curriculum and the curriculum of the primary education level of the teachers training colleges. A consultation meeting with Development Partners (WFP, UNICEF, UNFPA and CRS) on integration of a nutrition to the curriculum of primary school was organized.</p> <p>d. Distribution of anti-parasite drugs A revision of the manual on the steps of using anti-parasites medicines at schools for lower secondary school level and distribution of posters to targeted schools was completed. A monitoring and evaluation of the use of anti-parasites drugs across the country was completed.</p>	<p>Bolikhamxay. 29,952 students have benefited from the project (14,386 females students and 15,556 male students). These are categorized as 3,706 pre-school children (1,860 females) 1,062 pre-primary school students (527 female students). There are 22,360 students (10,612 females and 11,748 males) are direct beneficiaries from the programme.</p> <ul style="list-style-type: none"> - Mid morning snack programme supported by World Food Programme covered 1,725 schools in 32 districts of 7 provinces including Phongsaly, Oudomxay, Luangnamtha, Luangprabang, Saravanh, Xekong and Attapeu. 140,228 students have directly benefited from the Mid Morning Snack Programme. There are 18,658 students (9,448 females and 9,210 males) at the pre-primary school. 121,570 students (58,061 females and 63,509 males) at the primary level are direct beneficiaries of the programme. - Learning and Engaging All in Primary School (LEAPS) supported by CRS. The programme covers 308 schools in 6 districts of Savannakhet province and there are 40,696 students directly benefiting from the programme. - A training on agricultural production (school gardening) and nutrition was provided to 18 provinces. There were 50 participants (17 females and 33 males). - Training on school gardening and raising livestock have been provided to ethnic boarding schools across the country in Thakhek District of Khammouane Province. The training was co-organised and trained by trainers from MoES and MoH. 52 participants attended the training (14 females 	<p>-Lao is expected to graduate in 2024 from least developed country status and will be expected to take over many activities and investments, which are currently run by others.</p> <p>-Laos' ODA will significantly change as a result of this graduation. The 2024 deadline is the main driving factor for this exit strategy.</p> <p>-SM needs to be sustainable and integrated – SM is playing a key role in providing access to food security and nutrition, and education in Laos</p> <p>Key Points/Actions: An expert/consultant will come on board to evaluate the handover models (developed in a workshop last August) The evaluation will include looking at the financial burden of handover to the government and the probability of success of these models The TOR for this role has been completed – recruitment should start shortly The Working Group will hold a brainstorming session in August to identify steps for an exit strategy and handover WFP are working to create a tool around community assessment of the strength of the community – WFP want to identify an appropriate package</p>

Sector outputs and activities	Progress	Challenges and opportunities
	<p>and 38 males)</p> <ul style="list-style-type: none"> - Development of a school gardening training manual has been completed. A consensus agreement on an integration of nutrition work to 3 subjects including, Lao language and Mathematics and World Around Us (WAU) was made. The content will be from 3 main food groups, 5 food sub-groups and benefits of a five color food (food variety), food source, and impacts of malnutrition, sanitary and good environment. - The development and assessment of the manuals of school gardening and nutrition for the primary school curriculum was completed. The trainings on school gardening and a rolling out the primary school curriculum with an integration of school gardening and nutrition topics have been piloted in Viengthong district, Bolikhamxay province and Viengphoulka District, Luangnamtha province. <p>There were 850,466 students (408,251 females and 442,215 males) who directly benefitted from the programme. 442,806 (210816 females and 231,990 males) students at the lower secondary school level benefited. Furthermore, key activities were implemented to support the programme as a whole.</p>	
B. Communication and outreach activities with the sector and across Sector Working Groups		
<p>1.1. Establishment of Provincial Coordination Meetings</p> <p>The PCMs provide a forum for dialogue between sub-national authorities and development partners supporting the education and sports sectors, including other related sectors such as health and nutrition.</p> <ul style="list-style-type: none"> - Monitoring of program and project implementation using both Government of Lao funding 	<ul style="list-style-type: none"> - The ToR of Provincial Coordination Meeting was approved by the ESWG Technical Level on 27 May 2016. PCM will be organized in five provinces during the first phase of BEQUAL: Phongsaly, Luangnamtha, Oudomxay, Savannakhet and Champassack Provinces. 	<ul style="list-style-type: none"> - Currently CPMs are funded by BEQUAL, however, in a long run financial sources to support PCMs need to be identified.

Sector outputs and activities	Progress	Challenges and opportunities
<p>and Official Development Assistance (ODA) at Provincial level.</p> <ul style="list-style-type: none"> - To review the priorities of the education and sports sector implementation at sub-national levels, including links to health and nutrition related activities in the province. - To review development partners support as well as the coordination mechanism of development between local authorities and development partners in the period of ESDP 2016-2020 implementation and linked to the global sustainable development goals. Identify issues and challenges to effective aid coordination within the province. Reporting the PCM outcomes to the central Education Sector Working Group 		

HEALTH (HSWG)

SWG Chair and Co-Chairs: SWG is Chaired by H.E. Associate Professor Dr Bounkong SYHAVONG, the Minister of Health, Co-Chaired by H.E. Mr. Takeshi HIKIHARA, Ambassador of Japan to the Lao PDR, and Dr. Juliet Fleischl, WHO Representative for Lao PDR.

SWG key mandate: The main objective of the Governance Sector Working Group is to ensure convergence of development partner assistance and approaches in different areas of governance reform, and to help execute the Country Action Plan of the Vientiane Declaration on Aid Effectiveness.

SWG Secretariat Focal Points:

- **Government officials:**
- Dr Nao BOUTTA, Director General of Cabinet, MOH.
- Dr. Bounfeng PHOUMMALAYSITH, Director General, National Health Insurance Bureau, MOH.
- Dr. Phasouk VONGVICHIT, Deputy Director of Department of Planning and International Cooperation, MOH.
- **Development Partners:**
- **Secretariat (DPs):**
- Mr. Yousuke HAYASHIDA, Second Secretary, Embassy of Japan
- Dr. Hiromi OBARA, Health Policy Advisor, JICA
- Ms. Monica Driu FONG, Coordinator, Health Systems & Social Determinants of Health, WHO

Technical Support Staff:

- **Government officials:**
- Ms. Toumlakhone RATTANAVONG, Chief of International Cooperation Division, Department of Planning and International Cooperation, MOH.
- Dr. Souphaphone SADET'TAN, Technical Officer, International Cooperation Division, Department of Planning and International Cooperation, MOH

Sub/Technical Working Groups

○ **Health Planning and Finance Technical WG**

- **Chair:**
- Dr. Founkham RATTANAVONG, Deputy Director General of Department of Planning and International Cooperation, MOH
- Dr. Kotsaythoune PHIMMASONE, Deputy Director of Department of Finance-MOH.

Focal Point (Government):

- Dr. Bouaphat PHONVIXAY, Deputy General Director of National Health Insurance Bureau, MOH.

○ **- Human Resources Technical WG**

- **Chair**
- Dr. Somchanh XAYSIDA, Deputy Director General of Department of Training and Research, MOH.

Focal point:

- Deputy Chief of Education and Training Division, Department of Training and Research, MOH.

- - **Mother & Child Health and Nutrition Technical WG**

- **Chair**

- Dr. Kaisone CHOUNLAMANY, Deputy Director General of Department of Hygiene and Health Promotion, MOH.

Focal point:

- Dr. Panome SAYAMOUNGKHON Technical Staff, Mother and Child Health Center, MOH.

- - **Health Care Technical WG**

- **Chair**

- Dr. Bounnak SAYSANASONGKHAM, Deputy Director General of Department of Health Care, MOH.

Focal point:

- Dr. Sommana LATTANA, Deputy Chief of Local Hospital Division, Department of Health Care, MOH.

- - **Food and Drug Technical SWG**

- **Chair**

- Dr. Somthavy CHANGVISOMMITH, Director General of Department of Food and Drug, MOH.

Focal point:

- Mr. Souksomkhouane CHANTHAMAT, Deputy Chief of Administration Division, Department of Food and Drug, MOH.
- Dr. Bounxou KEOHAVONG, Deputy Chief of Drug Control Division, Department of Food and Drug, MOH.

- - **Hygiene and Health Promotion Technical WG**

- **Chair**

- Dr. Phat KEUANGSANETH, Director General of Department of Hygiene and Health Promotion, MOH.

Focal point:

- Dr. Vankeo RASBOUTH, Deputy Chief of Administration Division, Department of Hygiene and Health Promotion, MOH.

I. Overall progress towards sectoral outcomes and results

Key achievements and results:

- Policy frameworks in the health sector for coming five years set: (1), the 8th Health Sector Development Plan (2016-2020) was finalized in line with the 8th NSEDP and international goals (health-related SDGs). This involves integration of the international agenda (health-related SDGs and indicators) with the health sector development plan and the monitoring framework have been completed. (2) Health Sector Reform Framework Phase II (2016-2020) is now the framework to strategically coordinate the programmers and development partners in the health sector.
- National Nutrition Strategy to 2025 and Plan of Action 2016-2020 (NNSPA) has been implemented at the central and sub-national levels, then progress and outcomes were confirmed in the 2nd Nutrition Forum on 17th Nov 2016 as pre-consultation for the RTIM. As the Secretariat of the National Nutrition Committee, the health sector took the lead for the multi-sectoral coordination. In the Forum, the Government, including all relevant sectors, development partners, and the stakeholders have adopted the outcome document to enhance efforts in the implementation of the NNSPA in line with the 8th NSEDP, emphasizing the importance of multi-sectoral coordination which is required for an effective convergent approach and for scaling up nutrition interventions, for joint implementation of actions, for funds allocation, monitoring, evaluation and reporting.
- Improved health outcomes: Key health outcomes and output indicators show progress, in particular in the area of maternal & child health and nutrition; (1) Maternal and Child Health: The 2015 Lao Census Report shows the Maternal Mortality Ratio at 206 per 100,000 live births; mortality rate amongst children under 5 years of age was 86 per 1,000 live births; and 57 per 1,000 live births amongst children less than 1 year old. These figures show a declining trend, compared to data from previous reports. The national average of DPT-HepB coverage is at 67%, (2) Nutrition: The latest Nutrition Survey showed that the ratio of child malnutrition (stunting- low height for age) was reduced to 36 % in 2015 from 44% year 2011/12.
- In contrast, inputs to the health sector remain low: (1) Human resources for health: More than 36% of health centres now have at least 1 midwife. Two-thirds of health centers nationwide still do not have any midwives, (2) Health Finance: Total Health Expenditure (THE) per capita was 33 USD, THE as % of GDP was 1.87% which is the lowest in the ASEAN countries. (WHO 2014). Out of Pocket Payment and percentage of External Sources on Health as % of THE were 39% and 32% respectively. General government expenditure on health as % of total government expenditure was 3.4% which is the lowest in the ASEAN countries. (WHO 2014).
- Improved health insurance coverage: The coverage of social health protection schemes will be about 50% of the population at the end of 2016 due to the newly introduced National Health Insurance Scheme. The coverage in 2015 was about 32%.

❖ **Sector vision and priorities**

- The sector's strategy by 2020 defined in the 8th Five-Year Health Sector Development Plan (2016-2020) is "To ensure good health with thorough and equitable access to good health services for all citizens who understand their own health care and the comprehensive health sector reform", towards reaching Universal Health Coverage by 2025 and health SDG by 2030.
- The sector's goal by 2020 is to improve access to basic health services and financial protection by implementing Health Sector Reform Phase II (2016-2020).
- The five priority areas to achieve the sector's goal and vision are: Improve (i) Human Resources for Health; (ii) Health Financing; (iii) Governance, organization and management; (iv) service delivery and hospital management; and (v) health information system (HIS).
- Expected key outcomes of each priority area are: (i) Health Centres will have at least mid-level health workers including at least one midwife; (ii) increased coverage of the health insurance to 80%; (iii) reorganize health SWG and sector coordination mechanisms in line with the priority areas of Health Sector Reform; strengthen Public-Private-Partnership (PPP) implementation; (iv) define, deliver and expand health service package nationwide, and (v) further strengthen HIS by introducing ICT system.

❖ **Challenges and lessons learnt**

- To implement the Health Sector Reform Phase II effectively, coordinated strategic & budget plans, and improved monitoring & reporting across programmes are necessary. To ensure these, Technical Working Groups (TWGs) as the sector-wide coordination mechanism should be further strengthened.
- The limited numbers of human resources and financial resources to the health sector continue to be major bottlenecks in the sector (1) to scale up quality health service delivery targeting all ages, and (2) to ensure equitable access to health services without financial hardship. In particular, the health sector is entering the health finance transition where some major external funds, such as GAVI, are reducing/leaving. If other financial sources (e.g. domestic sources) do not cover the gaps, out-of-pocket payment could be increased consequently.
- Other sectors' support is necessary to (1) further reduce maternal & child mortalities and malnutrition of children (e.g. improvement of road, maternity leave in labour ensuring breastfeeding), and (2) improve fiscal spaces for social health protection (e.g. sin tax for tobacco and alcohol), and (3) implement effective PPP.
- Local authorities' support in community mobilization and sub-national levels' (provinces and districts) contribution in implementing priority programmes are important.

❖ **Support needed and way forward**

From the government

- Ensure stronger support and collaboration from other sectors in implementing health sector reform Phase II (2016-2020) by holding *the National Commission to implement Health Sector Reform* set by PM Decree 029 regularly.
- Allocate at least 9% of the national budget to the health sector; and,
- Continue to allocate quotas and more qualified staff to the health sector every year, and continue to monitor percentages of health center without any midwife.

From development partners

Jointly and effectively support the sector planning, implementation and monitoring by the sector-wide coordination mechanism to be agreed by the Ministry of Health and Development Partners for effective coordination.

II. Overview of Sector Performance in 2016

Sector outputs and activities	Progress
A. Thematic (substantive) areas	
Actions/activities relating to the 12th HL RTM key recommendation/discussion points	
11.1 Contribution graduation from least developed country statute, which required reducing of child under 5 mortality rate from 71 per 1000 live births in 2014 down to 45 and reduction of malnutrition statue especially child chronic malnutrition (Stunting) and underweight from 44% and 27% in 2011 to 28% and 15% respectively by scaling up the implementation of action plan under the new national Nutrition strategy and reproductive, Maternal, Newborn and child health strategy.	<ul style="list-style-type: none"> • MNCH strategy and nutrition strategy have been approved and implemented and improvement of infrastructure for MNCH integration and NUT • The Government including all relevant sectors, is leading the implementation of the National Nutrition Strategy to 2025 and Plan of Action 2016-2020 (NNSPA) through a convergent approach. It shall continue to strengthen the capacity of national and subnational levels for mainstreaming the NNSPA into planning, budgeting, management, coordination, targeting/prioritization, monitoring, evaluation and reporting of the programmes
11.2 To address the above mentioned across the Health Sector Reform strategy based on 5 pillars, especially capacity building for human resources for nutrition as a main streaming issues across all programs, allocation of at least 9% of the national budget to the health sector and at least 1136 quotas to the sector every year need to be materializes.	<ul style="list-style-type: none"> • Number of midwife increased to more then 1500 (more then 50% birth attended by skilled health personnel) more deployment of skilled birth personnel to local level. • Deployment of staff (1.191) to local level as per three build policy. • Trained 140 village health worker • Ethnic student enrollment policy with no requirement for entrance examination 15,5 %/year • Health worker ratio increased at subnational levels. Provincial 22%; district 37%; and health center 21%.
11.3 Key challenges and opportunities in Coordination by NNC Secretariat of the large number of stakeholders working on nutrition; <ul style="list-style-type: none"> • Need for coordinators to facilitate the convergence approach at central, provincial and district level; • Nutrition finance tracking system and information management require strengthening; • Behaviour change to improve nutrition status takes a long time, requiring patience, consistency, collaboration from all and community participation; 	Ministry of Health planed as priorities to: <ul style="list-style-type: none"> • Scale-up nutrition interventions through strengthened nutrition coordination and implementation at provincial, district & village level; • Strengthen partnerships among public, private sector, civil society and academia; • Develop, endorse & implement nutrition SBCC strategic action plan; • Strengthen the Code of marketing of breastmilk substitutes; • Scoping of food fortification options; • Support the improved management of nutrition data and financial tracking.

ILLICIT DRUG CONTROL (IDC SWG)

SWG Chair:	H.E. Mr. Kou Chansina <i>Chairman of the Lao National Commission for Drug Control and Supervision</i>
SWG Co-Chairs:	H.E. Hiroyuki Kishino <i>Ambassador of Japan</i>
	H.E. Mr. John Williams <i>Ambassador of Australia</i>
	Mr. Erlend Audunson <i>Programme Manager and Officer-In-Charge-UNODC</i>

Overall progress towards sectoral outcomes and results

Background: There are three problems related to illicit drug issues in the Lao PDR. First, the country has again become a significant producer of opium. Second, drug use, in particular the use of Amphetamine-type Substances (ATS) or Ya-Ba, appears to be on the rise. Third, significant quantities of opiates, ATS and precursors continue to be trafficked through the Lao PDR to neighbouring countries from where some of it is re-exported to markets with higher purchasing power and demand.

Progress to tackle the three problems: The Lao Government revised and endorsed the National Drug Control Master Plan (2016-2020) which set 9 priority activities, and also reformed the Government structure in this sector by transferring the Lao National Commission on Drug Control and Supervision (LCDC) to Ministry of Public Security. In addition, the Lao Government is focusing on implementing activities on Community-Based Treatment (CBT) and alternative development for replacing opium poppy cultivation within the 9 prioritized activities.

Challenges: Several challenges are recognized as follows; not enough activities on raising awareness for prevention of illicit drug use, necessity of further cooperation with health authorities especially in the context of CBT activities, lack of financial supports by both the Lao Government and development partners for implementation of the Master Plan, necessity of legislation improvement, further close coordination among stakeholders in the sector including LCDC, line ministries and authorities, development partners to focus on prioritized activities in the Master Plan.

Opportunities: By using the momentum of the Government's structural reform in this sector and establishment of the new Master Plan, it would be a good timing for the line authorities to review the structure and responsibilities of each authority to implement prioritized activities in the Master Plan.

Sector outputs and activities	Progress	Challenges and opportunities
A. Thematic (substantive) areas		
1. Actions/activities relating to the 12th HL RTM key recommendation/discussion points		
<p>1.1 Promote a public health approach and address issues relating to the country's vulnerable youth</p>	<p>Treatment and vocational training for drug addicts are prescribed as one of the 9 priorities in the National Drug Control Master Plan (2016-2020). Currently, the Lao Government is promoting evidence-based treatment modalities, including Community-Based Treatment (CBT) approach which has been piloted in Vientiane since 2012.</p> <p>As an example of the CBT, there is a rehabilitation center for drug addicts at Sisattanak District Hospital in Vientiane where UN secretary-general Ban Ki-Moon visited in September 2016. The center offers treatment and counselling services for about 170 drug users. In addition, medical staff have received training on drug treatment and counselling approaches, and visited other hospitals to learn from experience of other medical practitioners. This CBT program is supported by UNODC and US, and the CBT centers are being expanded to a total of 13 locations.</p> <p>Furthermore, the government of Lao works with the Colombo plan and UNODC to organize trainings for national trainer teams in order to create a team of national master trainers on evidence-based drug treatment. The trainings are funded by the United States.</p>	<p>Promotion of prevention activities is a challenge. Prevention is better than cure. To reduce the number of drug addicts, raising awareness such as consequences of drug abuse is important to prevent people from using illicit drugs, especially adolescents. Although raising awareness is one of the priorities in the Master plan, activities are not implemented efficiently and effectively due to lack of funds.</p> <p>To expand activities of CBT further cooperation with the Health sector is required since the CBT approach is related to the National health systems, for example health centers in local areas play a key role to remove important barriers to access for people who are addicted by drug use and dependence therefore medical staff need to understand treatment and counselling approaches appropriately.</p> <p>While pilot projects have been implemented and expansions are on-going, there is a need to enhance the availability of evidence-based drug treatment in the country. There is also a need to raise awareness about the existence of current CBT centres, e.g. through advertisements in newspapers, hotlines or similar.</p> <p>A further challenge is related to awareness raising at the local level in regards to the distinction between drug users in need of treatment on the one hand and drug traffickers on the other. This distinction is instrumental in ensuring that drug users in</p>

		<p>need of treatment receive the required support instead of</p> <p>There is also a need to expand vocational training services to patients that have undergone treatment, in order to ensure proper reintegration into their local communities.</p>
1.2 Enhance measures to address illegal wildlife trafficking	(For RTP sec, This issue should not be covered by this SWG since this SWG is the Illicit Drug SWG. Please reconsider to reallocate this issue to other SWG or frameworks.)	
2. Other substantive actions/activities		
2.1 Policy, legislation and implementation	<p>As a policy aspect, the Lao Government has revised and approved the Drug Control Master Plan (2016-2020) in May 2016, which outlines a series of 9 priority areas including;</p> <ol style="list-style-type: none"> 1) Formulation and improvement of legal instruments concerning narcotic problems 2) Data/Information collection and analysis 3) Education/Training/Dissemination of the laws and adverse consequences from drug abuse 4) Treatment and vocational training for drug addicts 5) Alternative development, replacing opium poppy and cannabis cultivation 6) Law enforcement 7) Precursor control, analysis and test of drug addicts 8) International cooperation 9) Streamlining the organizational machinery of the national commission for drug control and supervision at central and local level 	<p>The overall challenge related to implementation of the Master Plan is a shortage of funds from both the Lao Government and development partners to implement the Master Plan.</p> <p>From a perspective of legislation, legal instruments need to be improved to ensure the structure and responsibilities of each authority in the central and local levels, and the Border Liaison Offices. At the same time, it is necessary that a legal framework prescribes the treatment and vocational training facilities for drug addicts, and the forensic laboratories.</p> <p>Ultimately, implementation and enforcement of laws/regulations are the most important part. How related authorities cooperate and implement activities towards the objectives of the Master Plan is still unclear.</p>
2.2 Governmental structure reform	The Lao National Commission on Drug Control and Supervision (LCDC) takes lead on coordinating the Lao PDR's response to illicit drug issues by working with relevant agencies including Ministry of Public Security and Ministry of Public Health, and has traditionally sorted under the Prime Minister's Office. In June 2016, LCDC was transferred to the Ministry of Public Security, aiming at increasing cooperation with the security authority.	<p>As a challenge and an opportunity for improvement of coordination and effective implementation of the Master Plan, now LCDC is under Ministry of Public Security so there might be a possibility that the role of LCDC to lead this sector would be strengthened through close cooperation and information sharing</p>

		among the security authorities. However, the structure and responsibilities of LCDC under the Ministry is so far not yet clear.
2.3 Reduction of opium poppy cultivation and alternative development	<p>Reduction of opium poppy cultivation and promotion of alternative development is one of the 9 priorities in the Master Plan.</p> <p>The Lao Government is delivering alternative development projects to replace opium poppy cultivation and establish sustainable alternative livelihoods on opium growing communities. Currently, programming is implemented in the Houaphan province, supported by UNODC, US and Luxembourg.</p> <p>In addition, the Lao Government conducted a survey on opium poppy cultivation with UNODC and US in 2015. The results of the survey are extremely valuable to know the situation of the cultivation in the Lao PDR, and offer evidence and rational reasons for development partners to support in this sector.</p>	<p>The challenges revealed by the opium cultivation survey are that the opium poppy cultivation has stabilized at a high level as 5,700ha in 2015, and the estimated opium yield per ha was significantly increased over the last decade (from 6kg/ha in 2007 to 14.7-30.6kg/ha in 2015).</p> <p>The opium poppy cultivation and poverty in the remote areas are closely linked since the opium poppy cultivation has an incentive to offer high cash income to people in the remote areas where it is not easy to make other cash crops or products.</p> <p>There is a need to increase funding for sustainable Alternative Development interventions. These types of interventions are successful both in terms of reducing opium cultivation, and in terms of reducing poverty and environmental destruction in the target communities. Currently a project is being implemented in Huaphan province. There is a need to expand and intensify these types of interventions.</p>
3. Communication and outreach activities with the sector and across SWGs	<p>So far there was no collaboration on this crosscutting drug issue among SWGs but there is a possibility to work together with the following SWGs to address the challenges in the future:</p> <p>Health SWG: Treatment issue could be discussed with close cooperation with Health SWG to expand the CBT approach as mentioned at the part of 1.</p>	

Reference: Seizure of illicit drugs from 2008 to 2016 (Source: LCDCC) *early 6 months for 2016 data

<i>Year</i>	<i>Heroin (Kg)</i>	<i>Opium (Kg)</i>	<i>ATS (tablets, millions)</i>	<i>ICE (Kg)</i>	<i>Cannabis (Kg)</i>	<i>Cocaine (Kg)</i>	<i>Arrested foreigners</i>	<i>Arrest cases</i>
2008	17.5	11.8	1.2	0	805	2	6	222
2009	29.3	49.9	2.3	0	976	0.1	20	473
2010	84.3	86.5	24.5	0	3,521	0	16	581
2011	43.4	63.9	4.6	0	1,617	0	77	1,037
2012	45.0	87.6	10.1	0	2,836	0	41	1,223
2013	287.8	89.7	15.1	26.5	5,484	10.5	44	1,434
2014	181.8	12.8	3.8	19.4	1,233		65	1,868
2015	134.8	51.6	6.3	141.9	3,258		90	2,258
2016*	125.7	16.4	1.4	23	214		32	1,148

INFRASTRUCTURE (ISWG)

- **SWG Chair:** H.E.Dr. Bounchanh Sinthavong,
Minister, Ministry of Public Works and Transport (MPWT).
- **SWG Co-Chairs:**
 - H.E.Takeshi HIKIHARA, Ambassador of Japan to Lao PDR,
 - Ms. Sandra Nicoll, Country Director, ADB Lao PDR Resident Mission,
 - Ms. Sally Burningham, World Bank Country Manager, Lao PDR.
- **SWG Secretariat / Government:**
 - 1- Dr. Oulay Phadouangdeth, Director General (DG), DPC, MPWT
 - 2- Mr. Phetsamone Viraphanth, Deputy Director General (DDG), DPC, MPWT
 - 3- Mr. Chanthaphone Phanvisouk, Director, Division of DPC, MPWT
 - 4- Mr. Chanthavong Bounsombath, Officer, DPC, MPWT
- **SWG Secretariat / Development Partners (DP):**
 - 1- Mr. Hideyuki Onishi, Counselor, Embassy of Japan
 - 2- Mr. Takashi Kurihara, Second Secretary, Embassy of Japan
 - 3- Mr. Phomma Chanthirath, Senior Project Officer - ADB
 - 4- Mr. Sombath Southivong, Senior Infrastructure Specialist - WB

The ISWG is divided in 3 Sub-Sector Working Groups (SSWG), namely:

1. Infrastructure Development Sub-Sector Working Group

- Chair: Mr. Pheng Douangneun, Director General, Department of road, MPWT
- Focal Points: -Mr Vanthong Bouttanavong, Deputy Director General, Department of Road (DOR), MPWT
-Mr. Khattiyasack Chaivavong, Director of Division, Department of Roads (DOR), MPWT

2. Transport Development Sub-Sector Working Group

- Chair: Mr. Viengsavath Siphandone, Director General, Department of Transport, MPWT,
- Focal Points: Dr. Bounta Onnavong, Deputy Director General, Department of Transport (DOT), MPWT and Mr. Phouthasay Sirisack, Officer Department of Transport, MPWT

3. Water and Sanitation Development Sub-Sector Working Group

- Chair: Mr. Khamthavy Thayphachan, Director General, Department of Housing & Urban Planning, and Mr. Phomma Veolavan, Director General, Department of Water Supply, (MPWT).
- Focal Points: - Mr. Somvanh Mongphachan, Deputy Director General (DHUP)
 - Mr. Noupheuak Virabouth, Deputy Director General (DOW)
 - Dr. Saysavanh Phongsavanh, Deputy of Division (DOW)
 - Mr. Lonechanch Yangjbulom, Deputy of Division (DHUP)

I. ISWG Goal

1. The general goal of the ISWG is: to support the implementation of the 8th NSEDP to graduate from Least Development Countries (LDC) by 2020.
2. The specific goal is: Ensuring quality of all modes of transport including road, air, waterway, and railway serving domestic and regional connectivity, thereby enhancing competitiveness of Lao PDR domestically and international.
3. And Develop urban centers and minimize discrepancy between rural and urban, broaden and diversify economic basis contributing to improve people livelihood and make big villages into small towns in rural areas.

II. Infrastructure development SWG Achievement in FY 2015-16 and Action Plan for 2016-2020

A. Roads and Bridges achievement in FY 2015-2016

A1 - Roads Construction Projects:

Around 2,200 km of National Roads (NR) have been improved. These includes:

- NR9: Savannakhet-Densawan,
- NR2W : Muong Ngeun-Pak Beng,
- NR2E : Muong Khua-Tai Chang,
- NR13N : Nateuy-Odomxay,
- NR1D : Muong Khoun-Pa Kha,
- NR1B : Pak Nam Noy-Ban Yo,
- NR4 : Xieng Ngeun-Kenthao-Nakha,
- NR11 : Kaolieo-Namsang,
- NR15 : Napong-Saravan-Lao/Vietnam Border.

A2- Bridge:

- Completed of construction of Mekong River bridge at PakBeng

A3. Current of Status of Road Networks from Dec. 2014 to Dec. 2015

Road Type	Dec 2014	Dec 2015	Percentage of 2015 total
National	7,448 km	7,731 km	3,79
Provincial	8,377 km	8,205 km	-2,05
District	6,403 km	6,919 km	8,05
Urban	2,720 km	3,063 km	12,61
Rural	23,838 km	24,884 km	4,38
Special	2,810 km	5,529 km	96,76
Total	49,380 km	56,331 km	123,54%
	Increased	4,735 km	9%

A4- Road Maintenance Fund:

- RMF is the main (only) source of funding for road maintenance. Currently it can cover only 30% of the need.
- New Prime Minister's Decree: Decree No. 130/PM, dated 1 June 2016: Road Maintenance Fund (RMF) becomes Road Fund (RF):

- 90% of RF revenue goes to maintenance of roads: 80% of which goes to NR, and 20% goes to LR; the remaining 10% is split into:

- 5.3% for new roads construction;
- 0.2% for UDAA;
- 2.5% for road safety;
- 2% for RF administration.

Only Kip 400 billion (US\$50 million) of RMF expenditure was approved for FY2015-2016.

A5 – Road and Bridge : plan for 2016-2020

- Upgrading transit and links for regional integration such as
 - NR13N (AH12): VTC-Phon Hong, 73 km;
 - NR13S (AH11), VTC-Ban Hai, 44 km;
 - NR13S (AH11), Seno-Pakse, 220 km;
 - NR2W&E (AH13), Muong Ngeun-Pak Beng-Muong Khua-Tai Chang, 361 km;
 - NR8 (AH15), Ban Lao-Nam Phao , Vietnam Border, 132 km;
 - NR12 (AH131), Tha Khek – Na Phao , Vietnam Border, 146 km;
 - NR9 (AH16), Savannakhet-Dansavan, Vietnam Border, 220 km;
 - NR18A&B (AH132), Phia Fay – Attapeu – Phou Keua, 221 km
- Construction of bridges across Mekong River:
 - Paksan–Beungkan (Bolikhamxai Province),
 - Paktaphan – Oubon (Saravan Province),
 - Konteun (Bokeo Province)
 - Luangprabang- Chomphet bridge (Luangprabang province)

Total estimated cost : 1,520 bil kips (\$190 mil).

A6 – Road and Bridge : challenges

- Shortage of funds for road construction and maintenance;
- Vulnerability of unpaved roads to deterioration in the wet season;
- overloading;

B. Railways projects progress in FY 2015-16 and Plan for 2016-2020

1. Lao-Thai Railway Construction Project Phase 2: Container Yard (CY).

Project cost: 1.65 bil THB: 30% grant and 70% soft loan from NEDA;

Detailed Design Completed in July 2010 (Grant Aid of the Thailand);

Main Works:

- Construction of Container Yard and Facilities;
- Upgrading Signaling and Telecom Systems at Thanaleng station;

Progress: The project was completed in April 2016 and we are now preparing for Lao-Thai freight railway operation.

2. Vientiane – Thakhek – Mu Gia Railway Project (450 km)

- Pre-feasibility study was completed in March 2011 by Chung Suk.Co; (Grant aid of Republic of Korea ROK);

- ROK granted 3 million USD for the Feasibility Study on Vientiane – Thakhek – Mu Gia -Vung Ang railway link under the ASEAN-ROK Cooperation framework. The study started end of 2015 and will be completed end 2017.
 - Progress: The alignment selection is in process.
3. Savannakhet - Laobao Railway Project (220 km)
- Pre-Feasibility Study was completed in Sep 2009 by Giant Group Co. Ltd (Malaysia);
 - A concession was granted to Giant Group in November 2012 for the implementation on BOT basis
- Progress: The alignment is being updated.
4. Lao – China Railway Project from Boten – Luang Prabang - Vientiane (417 km)
- MOU signed on 7 April 2010;
- Feasibility Study completed in June 2012 by China Railway Eryuan Engineering Group Co. Ltd;
 - Intergovernmental Agreement on Cooperation in Railway Infrastructure Development and Lao - China Railway Project was signed on 13 Nov 2015;
 - The financing and related agreements are being finalized
 - Progress: Shareholders Agreement between Lao – China was signed in August 2016
5. Thakhek – Savannakhet – Pakse (345 km) Vangtau/Chong Mek (Lao-Thai Border)
- Pre-Feasibility Study completed in December 2013 by TESO Engineering Co. Ltd (Grant aid from ROK);
 - Planning for next stage (Required financial support).
6. Pakse – Veunkham (Lao – Combodia border) Railway, 150 Km.
- Planning for Pre-Feasibility Study (seeking for financial support).

C. Civil Aviation

1.Achievements 2015-2016

- DCAL has very good progress on the development and implementation of Civil Aviation Safety Regulation to ensure the safety of air transport with the score of 73%.
- DCAL has signed ASA with 24 countries to promote air traffic connectivity to international destinations.
- Lao Airline has become a full member of IATA in 2016.
- DCAL has successfully provided service, safe flight, during ASEAN SUMMITS in Laos.

2. Ongoing projects:

- o Expansion of Vientiane international airport terminal, ODA loan from the Government of Japan, total amount of JPY 9.017 million, Starting Date: 9 December 2015, Completion date: 30 June 2018, Progress of Construction until July 2016 is 3.50%.
- o installation meteorological Radar in 4 major Airport,
- o improvement of CATC

3. Projects plan 2016-2020:

1. Feasibility study for new VTE international Airport in Vientiane capital.
2. Construction of Seno Airport in Savannakhet province.
3. Improvement of Xiengkhuang Airport.
4. Improvement of Hueixay Airport

D. Waterways sector

1. Achievements 2015-2016

- Completed the Technical study for the Development Plan of International Navigation on the Lancang-Mekong River (2015-2025) among China, Myanmar , Laos and Thailand , Estimated Investment: 655 million USD
- Completed the Technical Study and draft Master Plan for Regional Waterborne Transport in the Mekong River Basin by MRCs-
- Completed study documents for the sustainable management of dangerous goods on waterway transport by MRCs
- Set up Technical Working Group for Preliminary Works of Navigation Improving Project on the Lancang-Mekong River
- Completed the detailed design for 3 of Mekong River Ports projects (Xiengkong, Parkbeng and Louangprabang), and already submitted the proposal document to China GOV for Funding.

2. Continue and Project plan 2016-2020

- GMS Flood and Drought Risk Management and Mitigation Project, loan from ADB, starting date: 20 April 2016, construction period: 24 months, Contract Price : 10,241,000 USD
- The Master Plan for Integrated Flood Management in the Mekong River, funding: Republic of Korea, Consultant : ISAN and K-Water
- Southeast Asia Disaster Risk Management Project: Muangxai, Oudomxai Province, Budget: 20 M USD, from World Bank
- Pakse Mekong River Integrated Development Project, Cost : 65,653,000 USD, loan from EDCF (Republic of Korea)

E. Water Supply sector

1. Achievements 2015-201

- Water Supply coverage 68% of Urban population, and 17% Country wide
- Organization: Establishment of Department of Water Supply;
- Completed Projects: 25 Sub-projects
- 1- Thakhek Water supply project (USD 16 Million Granted by JICA)
- 2- Dongmakkhai Water Supply Project phase 2 (USD 88 Million Exim bank)
- 3- Expansion of water supply project in Xay district (KOICA)
- 4- Phonxay town (EURO 410,000 /Ministry of Economic and Finance of France)
- 5- Houysay, Beng, Khob, Xaybuly and Khong towns (Baht 310 Million by NEDA)
- 6- Viengphoukha, Houaxay, Songkhone, Saisetha, Thateng, Saravanh, Pakbeng, Dontalath/Champasack, Add, Xiengkho, Vangvieng and Xay towns (USD 23 Millions ADB Grant 0143)
- 7- Napheng (Thoulakhom), Pakphang (Xanakham), MeuangPa Village (Paklai), Meuang Phieng Group Village (SEDIF)
- 8- Lao Goal WASH programme successfully completed.

2. Ongoing projects

- Kasi town (ADB Grant 0143)
- Construction of Luangprabang Water Supply System by Demko (Thai Private) 65% (BOT);
- Saendine (Vientiane Capital) 5% (BOT);

- Hadxaiphong (Vientiane Capital) 85% (BOT);
- 5 towns of Xaysomboun Province.

3. Project Plan 2016-2020

- To enhance the project management of the :
 - Construction of Luangprabang Water Supply System by Demko (Thai Private) 65% (BOT);
 - Saendine (Vientiane Capital) 5% (BOT);
 - Hadxaiphong (Vientiane Capital) 85% (BOT) ;
 - 5 towns(Thatom, Phalavaek, Longcheng, Phonesavath, Ome Village) of Xaysomboun Province
- Look for the budget to implement the new projects: 31 subprojects.
 - Samakkhixay, Sanamxay, Lamam, Dakcheung, Paksan, Pakkading, Xayabouly, Boten, Namtha, Long towns (ADB-Funded Project), Pakse, Paksong, Soukhumma, Muonlapamok, Khinak Village Group , Palanxay, Saravane, Nhommalath, Champasack, Bualapha, Sepon, Sayphouthong, Atsaphone, Namtuam, Bounneua, Paksang, Phonthong, Chomphet, Phonxay, Mock, Phaxay,
 - And other 16 towns and groups of Villages for the next year financial support (Remaining groups of Villages not yet identify for investment.

F. Housing and Urban Planning sector

Progress of two projects:

1. Pakse Urban Environment Improvement Project (2012-2018 - 2021).
 - Overall progress to June 2016: 37.4%; project implementation period: 6 year, from September 2012 to 30 June 2018.
2. GMS East-West Economic Corridor Towns Development Project (2012-2019).
 - Overall progress to June 2016: 39.4%. loan effectiveness: 15/01/2013, loan closing date: 30/06/2019.

G. Transport sector progress report focus on overloading control and traffic jams in VTC in FY 2015-16

1. Overloading Control:

- Since late 2011, many roads and bridges have been damaged, costing more than USD 206,600,000
- There were 39 weigh stations country-wide
- Prime Minister Office Notice no. 1179/PM, 17 Jun 2011, Suspended 26 unnecessary weigh stations, and allowed 13 to continue, at border crossings.
- Prime Minister Office Notice no 1595/PM, 23 Sep 2015, restored 3 pilot modern weigh stations:
- One on NR3, Ban Nateuy, Namtha district, Luangnumtha Province. Total cost estimate: USD 1,549,265. We are proposing to ADB (Road Sector Governance and Maintenance Project) to provide financial assistance.
- One on NR13 south, Ban Na-In, Pakkading district, Bolikhamxay Province. Total cost estimate: USD 1,268,881. World Bank / IDA (LRSP2) will support the weigh scale system and installation (approximately USD 250,000).

- One on NR9, Khamtei (DongHen), Atsphangthong district, Savannakhet Province. Total cost estimate: USD 959,578. Japan (JICA) is currently considering to provide financial assistance (approximately USD 620,000).
- Prime Minister Decree No. 15/PM, 13 May 2016, prohibited export of logs, timbers and etc.

2. Traffic Jams in VTC

Efforts to solve traffic jams included:

1. Rerouting traffic in some road sections
2. Installing 12 new traffic lights, traffic signs and line marking.
3. More traffic police during peak-hour.
4. Widening road corners to facilitate right-turn.
5. Minimizing illegal parking by law enforcing
6. Providing training to traffic police and DPWT staffs.

IV. Effective Development Cooperation

1. Each year, ISWG organises its annual meeting, to which all development partners are invited, to discuss the achievements of the year and the planning for the years to come. This year, the ISWG meeting was held on 23 September 2016.
2. Some development partners assign an advisor to closely work with our Ministry (eg. Japan, WB).
3. This year ISWG had organised two consultation Subsector working group meeting for discuss about concern issues in ISWG sector .

MACRO-ECONOMICS WORKING GROUP

SWG Chair: MINISTRY OF PLANNING AND INVESTMENT

Co-chairs: ASIAN DEVELOPMENT BANK

WORLD BANK GROUP

SWG Secretariat Focal Points:

- Government Officials:

- Mrs. Phonevanh OUTHAVONG, Director General of Planning Department
- Dr. Bounleua SINXAYVORAVONG, Director General of Fiscal Policy Department
- Mr. Khamphout SITHILATH, Director General of Monetary Policy Department

- Development Partners:

- Ms. Sally Burningham, Country Manager – World Bank
- Mr. Shunsuke Bando, Senior Country Specialist

Technical Supporting Staffs:

- Government Officials:

- Mrs. Sisavanh Didaravong, Director of Division, DOP/MPI
- Mr. Khouankham Vongkhamsao, Staff of DOP/MPI
- Mrs. Vena Ngonvorarat, National Consultation & Coordinator of NSEDP Project

- Development partners:

- Mr. Soulinthone Leuangkhamsing, Senior Economics Officer, ADB Resident Mission
- Mrs. Keomanivone Phimmahasay, Economist, Lao World Bank Office

I. Overall progress towards sectoral outcomes and results

The Lao economy continues to grow strongly over the years, despite slight deceleration in 2016. Growth is projected at around 6.9 percent in 2016 and on average 7% in the medium term, slightly lower than previous year. Electricity generation from the growing number of hydro and Hongsa lignite power plants has increased notably. Construction of pipeline hydropower projects, residential and commercial buildings and facilities in special economic zones are on track and will contribute significantly to the economic growth. This year alone there will be around 1,350MW of installed capacity added or 18 percent increase in total installed capacity of electricity generation (6,200MW) in Laos. Output in agriculture is expected to recover following last year's drought and manufacturing output continues to expand, albeit from a low base and mostly confined to the special and specific economic zones. On the other hand, output of copper from two major mines is expected to remain flat while gold and silver outputs will increase moderately.

Low oil prices kept inflation pressures subdued. Average inflation declined from 6.4 percent in 2013 to 4.2 in 2014 and further to 1.3 percent in 2015 and 1.7 percent in the first ten months of 2016. With core inflation at 1.5 percent, food prices up by 5 percent and expected

stabilization of oil prices, inflation is expected to pick-up by the end of the year to closer to 2 percent.

The fiscal deficit is projected to widen to about 6.2 percent in FY15/16. Revenues are expected to substantially decline from about 23 percent in FY14/15 to 19 percent in FY15/16 due to lower commodity and oil prices (affecting royalties and taxes on mining, and excises and import duties on oil), general decline in import bills and insufficient capacity to collect uncollected taxes. In response, the government has canceled a number of tax exemptions such as excise tax on vehicles and fuel. At the same time, public spending cut did not respond to revenue collections shortfall as there were some necessity such as the preparation Lao PDR's ASEAN Chairmanship in 2016. The higher budget deficit was financed by more borrowing and pushing total public and publicly guaranteed (PPG) debt to 663 percent of GDP by end of 2015, bringing the risk of debt distress from moderate to high. The present value of PPG breached some policy dependent thresholds in a baseline scenario. In addition, public sector arrears remain unsolved.

Credit growth slightly picked up by 21 percent year-on-year in September 2016 but still lower than an unsustainable pace a few years ago. There was an increase in lending to the industry sector offsetting the decline in credit to construction and transport. While the banking sector continues to expand rapidly, some banks, particularly some state-owned banks still have low capital and weak loan portfolios. Strengthening bank supervision capacity as well as advancing the restructuring plan for some weak state-owned banks will help lessen the risks to the financial sector stability.

The current account deficit in 2016 is expected to improve compared to last year. Trade deficit is expected to reduce as an increase in electricity, manufacturing exports, lower fuel prices and slower growth in construction materials more than offset the fall in wood exports and lower copper prices. The current account deficit is financed by FDI and increasing external borrowing. The latter is expected to drive total external debt stock (public and private) to more than 95 percent of GDP in 2016. Gross international reserves continue to be below 2 months of imports and only 25 percent of foreign exchange deposits, indicating very limited buffer and resilience in an event of adverse shocks.⁴

The nominal exchange rate has been maintained within a very narrow band with respect to the US dollar. The kip marginally appreciated against the USD by 0.3 percent during January-October 2016 while depreciated against Thai Baht by 2.2 percent. The restrictions on foreign exchange transactions at banks lead to higher demand for foreign currencies, making the gap between the official rate and the parallel market rate widened in recent months. Such tightly managed exchange rate continues to put pressure on reserves. The real effective exchange rate has appreciated by about 30 percent in the last five years, but the pace has moderated recently. This affect the competitiveness of the exports from Laos.

³ Source: from the World Bank

⁴ (The Bank of Lao PDR calculates reserves at 6 months of imports due to a different estimate of imports and the exclusion of imports related to FDI projects. Using the central bank's overall import figure (not excluding FDI imports) puts reserve adequacy at around 2 months of imports, still below recommended levels.

Outlook and challenges

The economic prospects remain favorable overall but with increasing downside risks. GDP growth is projected to remain around 7 percent in 2017 and 2018, supported by the healthy pipeline of power projects and growing opportunities for the non-resource sector resulting from closer ASEAN integration and efforts to improve investment climate reforms. Higher power exports and continuation of recent trends in agriculture and manufacturing is expected to improve the external balance.

However, risks have increased. The outlook on commodity prices and development needs may continue to weigh on the fiscal position and public debt in the near term. The Government's effort in strengthening non-resource taxation, reviewing exemptions and improving public finance management is expected to help improve the fiscal outlook in the medium term. However, the realization of the Lao-China railway project will add to the fiscal deficit the next few years due to the financing of the Government's equity share in the railway company and the current account deficit over the same period as the project requires high import content. Careful appraisal of project viability is essential to manage risks. The fiscal and external accounts are projected to gradually consolidate as large resource projects coming on stream to generate revenues and complete their debt servicing. The financial sector remains vulnerable particularly from the health of some state-owned banks, which still account for about half of the sector assets. Furthermore, to fully reap the benefits of its hydropower potential, it is important to secure markets the rapidly growing power generation and develop the required transmission systems. Additional risks include a slowdown in key trading partners such as China and Thailand that might affect trade and investment.

In the long run, The current growth pattern ought to become more inclusive and sustainable. Improving agricultural productivity can significantly increase farmers' incomes, provided that about two thirds of labor force engages in the sector. Converting more of natural resource rents into government revenues and effectively using these to build human capital and streamlining the business environment can help generate more attractive jobs in the non-resource sector.

II. Overview of Sector Performance in 2016

Sector outputs and activities	Progress	Challenges and opportunities
A. Thematic (substantive) areas		
2. Actions/activities relating to the 12th HL RTM key recommendation/discussion points		
1.1 Strengthened capacity for macroeconomic and fiscal management	<ul style="list-style-type: none"> MOF with support from the ADB developed a fiscal framework aiming to feed into the fiscal strategy and the on-going formation of a macroeconomic framework MPI and NIER with support from the IMF and the World Bank are developing the Macroeconomic Framework to better forecast and analyze the economic situation of the Lao PDR. 	<p>The delay in data availability limits data assessment of the economic situation and might impede the formulation of timely policy response. The lag and quality of BOP data also can affect the calculation of Laos' GNI.</p> <p>The challenges are few folds. Domestic revenue is subject to volatility of resource revenue as global commodity prices fluctuate. Non-resource tax payers are mostly small-medium size and do</p>
1.2 Provision of quarterly economic data (budget execution, public debt, monetary data, financial sector stability indicators).		
1.3 Reform tax policy and administration framework to increase tax base, review		
	Monetary and BOP data availability is	

Sector outputs and activities	Progress	Challenges and opportunities
<p>exemption policies; simplify tax payment; introduce and simplify issuance of unique tax ID</p> <p>1.4 Keep tight control over expenditures and re-allocate spending to more efficient uses</p> <p>1.5 Increase fiscal buffers and strengthen prospects for fiscal sustainability;</p> <p>1.6 Keep credit growth in line with objectives of low inflation and financial sector stability;</p> <p>1.7 Sustained competitiveness of the real exchange rate</p>	<p>generally quarterly lag. Some fiscal date has shorter lag.</p> <p>In response to tight fiscal liquidity, MOF strengthened tax administration by taking stocks of tax payers units, introducing tax payments through the banking system, increased excise tax rates on luxury goods, remove exemptions on vehicle and fuels imports related to investment projects. Expenditure cuts in FY15/16 was not commensurate to revenue shortfall. Some expenditure measures were lower new public recruitment, wage index freeze, reduction in capital spending compared to plan. Nevertheless, the fiscal deficit increased due to revenue shortfall, leading to higher public borrowing. Risk of debt distress increased from moderate to high.</p>	<p>not hold proper accounting making tax obligations unclear. The system to facilitate tax payments can benefit from more streamlining.</p> <p>The risk of debt distress increased from moderate to high based on 2016 debt sustainability analysis. Managing gradual fiscal consolidation over the medium term is very important to bring the fiscal position back to a sustainable path.</p>
<p>2.1 Formation of National Steering Committee on Monitoring Macroeconomic Policy.</p> <p>2.2 Improving government and DP macroeconomic policy coordination through consistent meetings of the Macro Economic Working Group.</p>	<p>There are two channels: i) Macroeconomic Working Group (MWG) where key recent economic developments are discussed between the government and DPs and ii) macroeconomic framework task force led by MPI and NIER on developing a macroeconomic framework and forecasting. This aims to feed into the NSEDPs and budget planning.</p>	<p>The SWG forum has helped in terms of encouraging sharing of sectoral data and discussions of economic issues. However, there is still room for promoting more interactive discussions on critical issues and channeling the agreed set of issues to feed into policy formulation process.</p>
<p>3.1 Development of a new MTEF (including PIPs) linked to NSEDP</p> <p>3.2 Launch of a system for communicating how DP comments on 8th NSEDP have been integrated.</p> <p>3.3 Development of a concept/plan for how green growth model can be incorporated into 8th NSEDP.</p>	<p>Completed. The 8th NSEDP was approved by the National Assembly in June 2016.</p> <p>Completed incorporating the green growth model into the 8th NSEDP and up to now, the focal point (MPI) closely work with NIER, World Bank and GGGI to formulate green growth strategy and establish green growth center.</p>	<p>The link between planning and budgeting and realistic capacity of financing sources still a challenge.</p>

NATURAL RESOURCES AND ENVIRONMENT (NRE SWG)

SWG Chair: H.E. Mr. Sommad Pholsena

Minister of Natural Resources and Environment

Co-chairs: H.E. Mr. Michael Grau

Ambassador of Germany

Ms. Sally Burningham

World Bank Country Manager

I. Overall progress towards sectoral outcomes and results

The social – economic development plan for 2015 – 2016 assigned Ministry of Natural Resources and Environment to implement the following tasks:

1. Update the implementation of national land use master plan and continue the process of comprehensive land use management. Continue land registration up to 100,000 pieces, complete land registration up to 60,000 pieces and update land use data base;
2. Allocate and rehabilitate forests, begins collecting data on wildlife, aquatic animals and plant species;
3. Begins the pilot projects on two national botanical gardens such as: Nam Att – Phou Luey and Na Kai – Nam Thuen Conservation Forests;
4. Continue survey and develop plan for the geological and mineral maps - 1/200,000 in the areas that have not been completed;
5. Research on behavior of meteorology, physical, water chemical of ground water, the allocation of quality and type of rivers for sustainable development;
6. Develop one National Environmental Quality Laboratory based on the ISO 17205 and three laboratories for each part of the country (North, Central, South);
7. Raise awareness and mechanism on developing Green, Clean and Beautiful on cities along the road number 13 and major roads. Promote and disclose the awareness of environmental issues, solution to mitigate waste (reduce, recycle, reuse) in the urban areas of Vientiane and provinces;
8. Continue implement and develop committee to protect and control natural disasters on provincial and district levels at concerned provinces.

❖ Key achievements for 2016

1. Land Sub-Sector

- Completed gathering and study tour on site of communal land registration in Sungthong district, Nakai district and also finished study tour in Chiang Mai (Thailand), and also finished writing short report of communal land registration study tour in Sungthong, Nakai and Chiang Mai; (these reports provide overview on the process of communal land registration in general term. It is not explain deeply in technical implementation, and the report will modify to be the manual of implementing procedures in phase 2);
- Completed writing the Discussion Note, it shows the briefly all of study tour, pointed out the challenging and also discuss on how to deal with the management of

communal land in the local people after their received the land title. These, should discuss more and it should continue study from others countries and deeply study in the future;

- Organized a meeting to discuss about the retail focal groups on land to prepare the meeting of the 2nd quarter of the LSSWG on 27 June 2016.

2. Disaster, Climate Change and Environment Sub-Sector

- First draft of Disaster Risk Management and Climate Change Law has been completed and distributed for comments and inputs;
- Completed National Intended Determined Contribution (INDC) and Submitted to United Nations Framework Convention on Climate Change (UNFCCC);
- Completed project implementation plan for preparation of First Biennial Update Report (BUR);
- Ratified Paris Agreement on climate change, 7/9/2016;
- Preparation of project proposal “Readiness Support Program (RSP) of Lao PDR” to access to the Green Climate Funds;
- Preparation of project proposal “Building resilience of urban populations with ecosystem based solutions in Lao PDR” to access to the Green Climate Fund;
- Preparing Third National Communication (TNC);
- Consultation and adopted DCCE sub-sector working group’s ToR and overall 2016-2020 work plan and annual work plan;
- Developing National Intended Determined Contribution (INDC) into Intended Determined Contribution (NDC);
- Completed Strategic Implementation Progress Report on Disaster Risk of Lao PDR (2011-2013, 2013-2015 and 2005-2015)
- Completed Disaster Risk Reduction Plan in 6 Provinces;
- Completed Response and Preparedness Planning in 3 Provinces;
- Identified baseline target to achieve Sendai Framework for Disaster Risk Reduction;
- Final draft Minimum Standard for Community-base Disaster Risk Reduction;
- Set up Lao Disaster Information System (LaoDi);
- Established disaster ministerial coordinator.

3. Water Resource Sub-Sector

- Organized The 4th Water Resources and Disaster Subsector Working Group (WRD SSWG) Meeting on 28 April 2015. This meeting were focus on share progress and up to date implementation IWRM in the country as well as linkage of the disaster management in the country; update and discuss on the integration of water resource component into natural resources and environment strategy; discuss and update on the draft national river basin management planning guidelines. Main topics discussed: *Linkage of the related laws on the water resource, disaster and others is very important and could be clearer promulgated and integrated. This will be opened more in-depth discussion with stakeholders at all levels; Integration of natural resources and environment strategy is very important and crucial for expansion of the planning process of various sectors into one strategy which will be easier to monitor. While the planning approach can be decentralized in the local level as well; In the river basin planning guidelines, land use planning and forest resource management should be more link and in-cooperate in*

the river basin management plans and clearly explain how this section work in the river basin planning process.

- Organized The 5th Water Resources and Disaster Subsector Working Group (WRD SSWG) Meeting on 16 October 2015. This meeting were focus on share and discuss progress on water resources reforms in the country as well as post – 2015 agenda and report the achievement of Lao National IWRM Forum. Main topics discussed: *Review of water resources law and its regulations or by-law; River basin management – RB planning guidelines, river basin coordination committee/RBOs, coordination mechanism between water sectors and stakeholders, water resource inventory and database management, etc; Water resources strategy and action plans – process of integration into 8th plans of MONRE and MPI; (some proposed water resource management projects/programmes);Result of the National IWRM Support Programme dissemination (from support of DFAT, Spain, ADB) and progress of M-IWRM Programme (WB and its partners); WR SSWG TOR and composition and updating;*
- Organizes The 6th Water Resources Sub Sector Working Group (WRSSWG) Meeting on 17 June 2016. This meeting were focus on brief progress report of the water resources SSWG; priority water resources management plan 2016-2020 (priority needs and actions based on natural resources and environment strategy 2025 and plan 2016-2020); progress on Nam Ou river basin management; And updated terms of reference for the WRSSWG for comment by participants, as a result of the removal of the disaster component from the WRSSWG, the Chair and Co-chair have updated the Terms of Reference and presented it for approval.

II. Overview of Sector Performance in 2016

Sector outputs and activities	Progress	Challenges and opportunities
Actions/activities relating to the 12th HL RTM key recommendation/discussion points		
1.1 Promoting environmental management particularly the sustainable ecosystem and forest management.	<ol style="list-style-type: none"> 1. The Department of Environment Quality Promotion has completed 5 years plan (2016-2020) and 2016 annual plan under MONRE's 2030 Vision and 2025 Development Strategy to implement and promote environmental management follow direction of "Green and Sustainable" through various mechanisms such as promote and implement of Environment Protection Law, Development Management Plan, Integrated Spatial Planning, Strategic Environmental Assessment and complete final draft on Environmental Taxation and Royalties and ProCEED project. 2. The Department of Forest Resource Management also completed 5 years plan (2016-2020) and 2016 annual plan particularly on sustainable ecosystem and forest management in conservation forest and protection forest. Now Guidelines on Conservation Forest and Protection Forest Management are being drafted. 	Capacity building and financial support are needed to integrate the ISP into the socio-economic development plan in 4 focused provinces in the northern and apply SEA as a tool for cost-benefit analysis in the target provinces.
1.2 Update the decree on compensation and resettlement.	<ol style="list-style-type: none"> 1. Update is completed and the decree was issued on 5th April 2016. 2. First round of decree dissemination for Departments under MONRE and Provincial PONREs was organized on 6th October 2016. 	Continue promote and disseminate of the decree to government agencies, provincial, districts and development partners and private sectors.

Sector outputs and activities	Progress	Challenges and opportunities
1.3 Mitigation and adaptation to disaster and climate change preparedness.	<p>I. <u>Disaster Risk Management:</u></p> <ol style="list-style-type: none"> 1. Initiative disaster risk mapping and disaster risk reduction plan in provincial, district, and community level for the socio-economic development in each level in order to ensure the development of Lao PDR is resistant to disaster and climate change. 2. Upgrading capacity in weather forecast, water forecast and other hazards forecast by investing in expanding Meteorological-Hydrological station, early warning system, especially in the spots inside water basin system and river that may be exposed to floods across the country. 3. Collaborating in exchanging information and knowledge concerning water between line ministries and other relevant sectors with the purpose of ensuring capacity building in forecasting, observing and improving disaster preparedness. 4. Pay attention on allocating and developing of land, settlement allocation, urban planning, construction approval, shall be based on disaster risk information and strictly maintain water lines, lake, pond reservation areas, wetlands, and land filling authorization which are the main causes to urban flooding and other following problems. <p>II. <u>Climate Change (mitigation and adaptation)</u></p> <ol style="list-style-type: none"> 1. Conducting greenhouse gas inventory 2010 based year in 5 main sectors such as Agriculture, Forestry and land use change, Energy, Industry process and waste. 2. Implementing clean development mechanism (CDM), which reduce carbon dioxide emission in to the atmosphere. 3. Implementing small-scale infrastructure climate resilience in Sekong and Saravane provinces. 4. Updated District Development Fund Guidelines to accommodate a basic level of climate change mainstreaming. 5. Conduct climate projections and assessment of impacts and modeling 	<ol style="list-style-type: none"> 1. Climate change is a cross-cutting issue and require a “whole of Government” approach that involve all sectors and levels of Government. Although some of the economic sectors (e.g. agriculture and forestry) have responded to the challenges of climate change, but other sectors have not integrated climate considerations comprehensively. 2. Coordination within and between government agencies, across government levels, and with the private sectors and civil society is also limited. 3. Lacking of training/refreshment course for district development fund.

TRADE AND PRIVATE SECTOR (TP SWG)

SWG Chair and Co-Chairs

- H.E Mrs Khemmani Pholsena, Minister of Industry and Commerce
- H.E Mr Micheal Grau, German Ambassador to Lao PDR
- H.E Mr Leo Faber, EU Ambassador to Lao PDR

SWG Secretariat Focal Points

Government Officials:

- Mr. Sirisamphanh Vorachith, DG, Department of Planning and Cooperation, MOIC
- Mr. Phouvieng Phongsa, DDG, Department of Planning and Cooperation, MOIC

Development Partners:

- Mr. Bryan Fornari, Head of Cooperation, EU
- Mr. Christian Olk, First Secretary, Head of Development Cooperation Assistant

Technical Supporting Staffs

Government Officials:

- Mr. Sengphanomchone INTHASANE, Director, DPC, MOIC
- Ms. Sinhdalone AKKHARATH, Intern as Trade Officer

Development partners:

- Mr. Kalakate XAYTHANITH, Program Officer & Trade Economics, European Union;

I. Overall progress towards sectoral outcomes and results

1. Economic performance

Economic growth in 2015 was estimated at 6.7 percent - a moderate growth rate, largely due to tightening fiscal policy and declined global demand for minerals.

Services and industry grew by 8.5 percent and 8.0 percent respectively. Key growth drivers include continued expansion of financial services associated with increase in number of bank branches and microfinance institutions, expansion of tourism related services such as accommodation and transport stimulated by rise of tourist arrivals, construction of power plants, residential and commercial property, and increase in electricity output contributed by commercial production of the Hongsa lignite-power plant and new hydropower plants.

Because of dry weather, growth in agriculture sector in 2015 was estimated at about 2.0 percent only.

GDP growth is forecast to growth at 6.8 percent in 2016 and 7.0 percent in 2017. Key growth drivers include increase in production of electricity and growth in construction sector associated with construction of additional hydro power plants.

Although Laos's overall export and investment are expected to be affected by slowing growth in China. However, recovery forecast for Thailand, robust growth in Vietnam, and commencement of construction of \$6.8 billion railway linking Yunnan Province of China and Vientiane are expected to stimulate exports, tourism, construction and remittances in Laos.

2. Overview of the Trade and Private Sector Development Plan

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 Vision 2020 to attaining an annual GDP growth rate of 8 percent 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 the investment is expected to be mobilized from the domestic and foreign private sector.⁵

Guided by the NSEDP VIII and the DTIS Update, the 2030 Vision and key strategies and measures for promoting trade and private sector development can be summarized as following:

2030 Development Vision and Priorities for 2016-2020

Trade and PSD's 2030 vision is *“a more diversified economy with creative, productive, and competitive enterprises through creating a conducive environment for enterprises”*.

In order to achieve this vision, key stakeholders have reached broad consensus to focus their future efforts to implement three strategic pillars during 2016-2020, namely:

- 1) *Further deepening of our economic integration under WTO, ASEAN framework, and other sub-regional framework.*
- 2) *Continuous improvement of business enabling environment; and*
- 3) *Enhancing competitiveness of Lao enterprises, especially SMEs in domestic, regional, and international markets.*

The **Strategic Pillar 1** is aimed at promoting trade, investment, and enhancing market access for Lao products and services through fulfilling commitments under Multilateral level (WTO); regional level (AEC), sub-regional level (GMS, ACMECS and others), and Bilateral cooperation to reduce and eliminate intra-regional trade barriers by completing the implementation of unfinished measures under the AEC Blueprint 2015 and continuing the implementation of CLMV's commitments under AEC 2025 Blue Print; and leveraging economic integration as a driver for improving quality of legal and regulatory environment for business.

The **Strategic Pillar 2** focuses on reducing cost of doing business through improving trade facilitation, simplification of business regulations, improving access to finance and skilled labor, strengthening public private dialogue on business environment at central and local level, promoting continuous investment in infrastructure, and promoting competition in key backbone service sectors.

Priorities under **Strategic Pillar 3** include implementation of measures to improve access to business development services, and provision of sector specific support to remove bottlenecks in value chains of key products and services.

⁵ 8th National Socio-Economic Development Plan

II. Overview of Sector Performance in 2016

Sector outputs and activities	Progress	Challenges and opportunities
A. Thematic (substantive) areas		
Actions/activities relating to the 12th HL RTM key recommendation/discussion points		
<ul style="list-style-type: none"> Promote and revitalize the Lao Business Forum, and integrate it into the round table process Promote partnership with private sector at community-level to ensure equitable development Promote linkage between vocational training and labor market Amend private investment law 	<p>Key progress include: 1) reorganized LBF structure; 2) establishment of full functioning LBF secretariat under LNCCI and appointment of focal point within DPC, MOIC; 3) Facilitated 15 private sector working groups to prioritize their issues; 4) facilitated dialogue between private sector working groups and relevant public agencies to seek solutions to about 30 priority issues; 5) Main annual forum is scheduled for early December 2016.</p> <p>A number of support programs aims at promoting small holder production at grass root level is being implemented through SME support programs as well as agriculture production promotion programs. Through these support program business matching grant schemes are being implemented to encourage private sector's participation.</p> <p>A multi-donor trust fund executed by MoIC is addressing shortage of skilled labor in the garment industry through public private partnership model. A demand driven garment skill development center was set up under the Lao textile and Garment Industry Association. The center is also working closely with donor funded vocational education programs.</p> <p>Revised Investment Promotion Law is being discussed at the NA session. Among others, the revised Law is expected to further improve transparency in regulating business entry, streamlining investment incentives, and strengthening investor protection. A number of consultation workshops with private sector have been organized.</p> <p>Lao PDR's ranking in Doing Business Report has not been improved over the last year. Selected indicators of the report namely: starting a business, trading across border are used as one of the key indicators of the Trade and PSD Program. Therefore, specific Doing Business Reform plan</p>	

Sector outputs and activities	Progress	Challenges and opportunities
<ul style="list-style-type: none"> Develop Doing Business Reform plan 	<p>is not envisaged to develop.</p> <p>Key measures for improving Lao PDR's performance in Doing Business are defined in the second pillar – Improving Business Enabling Environment.</p>	
<ul style="list-style-type: none"> Deepening of economic integration 	<ul style="list-style-type: none"> Completed regulatory assessment in telecommunications, insurance, logistics and transport sectors, horizontal regulatory assessment as well as needs assessment for implementing ASEAN MRAs; Services and manufacturing linkages; Labor content of exports; NTM Review, Assessment of External NTMs and many others; value chains studies for cassava, cattle, maize and rubber; Some progress in establishing regulatory framework for telecommunications sector has been made; A number of regulations for insurance sector have been issued; Capacity building for professional regulatory body for accountancy based on ASEAN Mutual Recognition Arrangement's requirements has started; Two draft legislations: Law on Plant Protection and Law on Livestock and Veterinary Matters are being discussed at NA session; More than 10 implementing regulations in SPS area have been developed; A number of targeted trainings on trade policy and negotiations were organized; Supported Laos ASEAN Chairmanship in area of AEC (hosting of ABIS, development of key deliverables); Supported trade negotiations, particularly AFAS 10; Upgrading technical standards and testing laboratories; Support establishment official enquiry points for importers. 	
<ul style="list-style-type: none"> Improvement of business enabling environment 	<ul style="list-style-type: none"> Ratification of the WTO Trade Facilitation Agreement and preparation of action plan for implementing TFA commitments; A comprehensive dataset of NTMs was collected, classified and published in LTP; Restructuring of PPD under the Lao Business Forum and commencement of regular public private dialogue on key issues facing private sector; Supported revision of Investment promotion law and Law on SEZs; Plan to conduct comprehensive process 	

Sector outputs and activities	Progress	Challenges and opportunities
	mapping for enterprise registration and licensing regimes for most manufacturing and a service sector has been adopted.	
<ul style="list-style-type: none"> Enhancing enterprise competitiveness 	<ul style="list-style-type: none"> Direct support to develop private sector capacity has been provided through a number of support programs, including: <ul style="list-style-type: none"> Business matching grant scheme; Line of credit facility; Work place improvement scheme in garment sector; Support to strengthening capacity of garment skills development center; Specific support to the tourism sector, agribusinesses (coffee) and handicraft sectors in selected provinces. Support development of positioning of the Lao tourism sector. 	
B. Communication and outreach activities with the sector and across Sector Working Groups		
	<ul style="list-style-type: none"> Regular publication of Lao Trade magazine; Translated large number of materials related to AEC (handbook on AEC); Development and publication of factsheets on AEC; Regular updating of sector AFT website: www.T4DLaos.Org; Regular updating of the Lao Trade Portal – www.laotradeportal.org; Publication of Lao Trade Digest; Development and maintenance of electronic gazette; Publications and distribution of research and studies in area of trade and competitiveness <p>Large number of dissemination workshops/seminars was organized at both central and provincial level.</p>	

II. Priorities for 2017

KEY AREA	KEY ACTIVITIES
A. Thematic (substantive) areas - Actions/activities	
1. Deepening of economic integration	<ul style="list-style-type: none"> Participate in ongoing negotiations under AFAS, RCEP and others; Follow up with the implementation of key commitments made under WTO and AEC (for example: establishment of regulatory body for telecommunication sector, adoption of SPS legal framework, implementation of TBT and TF agreement, support implementation of ASEAN MRAs, development of regulatory framework for insurance sector, and etc.) Development of Services Trade and Investment Portal;

	<ul style="list-style-type: none"> • Development of action plan for implementing AEC Blueprint 2025; • Development/revision of domestic regulations in area of logistics and transport; • Development of guidelines and action plans for the reduction of trade barriers in health care and tourism sector; • Development of investment promotion strategies for the tourism and health care sectors; • Support implementation of ASEAN MRAs in tourism and nursing professions; • Development of Safeguard Law.
2. Improvement of business enabling environment	<ul style="list-style-type: none"> • Development and implementation of action plan to streamline NTMs; • Development and implementation of action plan for implementing Trade Facilitation Agreement category A, B, C measures; • Regular update of Lao Trade Portal; • Publish enterprise registration statistics; • Publish enterprise registration statistics; • Conduct process mapping exercise for enterprise registration and licensing for most manufacturing and services sectors; • Conduct procedures streamlining for 20-30 licenses; • Support regular public private dialogue under the Lao Business Forum; • Develop implementing regulations for Competition and Consumer Protection Laws.
3. Enhancing enterprise competitiveness	<ul style="list-style-type: none"> • Implement direct support to develop private sector capacity through the following schemes: <ul style="list-style-type: none"> ○ Business matching grant scheme; ○ Line of credit facility; ○ Work place improvement scheme in garment sector; ○ Support to strengthening capacity of garment skills development center; ○ Specific support to the tourism sector, agribusinesses and handicraft sectors in selected provinces. • Development of AEC related services for SMEs.
B. Communication and outreach activities with the sector and across Sector Working Groups	
	<ul style="list-style-type: none"> • Regular publication of Lao Trade magazine; • Translated large number of materials related to AEC (handbook on AEC); • Development and publication of factsheets on AEC; • Regular updating of sector AFT website: www.T4DLaos.Org; • Regular updating of the Lao Trade Portal –www.laotradeportal.org; • Publication of Lao Trade Digest; • Development and maintenance of electronic gazette; • Establishment and operations of AEC related services for SMEs; • Launch of the Services Trade and Investment Portal; • Publications and distribution of research and studies in area of trade and competitiveness.

UXO (UXO SWG)

Executive/Policy Level

Chair:

Minister to Prime Minister's office, President of the National Leading Committee for Rural Development and Poverty Eradication, and Chairman of the National Regulatory Authority for UXO/Mine Action Sector in Lao PDR.

H.E. Mr. Bounheuang Douangphachanh

Co-Chairs:

UN Resident Coordinator/UNDP Resident Representative

Ms. Kaarina Immonen,

Ambassador of the United States of America

H.E.Mr. Daniel Clune, US Embassy

Head of SWG Secretariat

Mr Phoukhieo Chanthasomboune

Director of National Regulatory for UXO/Mine Action Sector in Lao PDR (NRA)

Secretariat (Government):

- Mr. Bounpheng Sisawath, Deputy Director (Policy, Administration and Standard) National Regulatory for UXO/Mine Action Sector in Lao PDR (NRA)
- Mr. Bounphamith Somvichith, Deputy Director (operation) National Regulatory for UXO/Mine Action Sector in Lao PDR (NRA) Mr. Vilavong Sysavath, Head of Programme Unit for UXO/Mine Action Sector in Lao PDR (NRA)
- Mrs. Chithavone philavanh, Chief of Research Unit for UXO/Mine Action Sector in Lao PDR (NRA)

Secretariat (DPs):

- Mr. Nils Christensen, Head of UXO Unit, UNDP Lao PDR
- Mr. Michael Toyryla, Political and Economic Section Chief, US Embassy

Sub/Technical Working Groups

1.1 Clearance Technical WG

Chair:

- Mr. Bounphamith Somvichith, Deputy Director (operation) National Regulatory for UXO/Mine Action Sector in Lao PDR (NRA)

Focal Point (Government):

- Mr. Phommachanh Khammanichanh, Head of Clearance Unit, National Regulatory for UXO/Mine Action Sector in Lao PDR (NRA)

Focal Point (DPs):

- Ms. Souphalack Bounpadith, Programme Analyst, UXO Unit

1.2 Victim Assistance Technical WG

Chair:

- Mr. Bounphamith Somvichith, Deputy Director (operation) National Regulatory for UXO/Mine Action Sector in Lao PDR (NRA)

Focal Point (Government):

- Mr. Bountao Chanthavongsa, Head of Victim Assistance Unit, National Regulatory for UXO/Mine Action Sector in Lao PDR (NRA)

<u>Focal Point (DPs):</u>
<ul style="list-style-type: none"> Ms. Souphalack Bounpadith, Programme Analyst, UXO Unit
1.3 Mine Risk Education Technical WG
<u>Chair:</u>
<ul style="list-style-type: none"> Mr. Bounphamith Somvichith, Deputy Director (operation) National Regulatory for UXO/Mine Action Sector in Lao PDR (NRA)
<u>Focal Point (Government):</u>
<ul style="list-style-type: none"> Mrs. Sisavanh Khammoungkhoun, Head of Mine Risk Education Unit, National Regulatory for UXO/Mine Action Sector in Lao PDR (NRA)
<u>Focal Point (DPs):</u>
<ul style="list-style-type: none"> Ms. Souphalack Bounpadith, Programme Analyst, UXO Unit

The 12th High Level Round Table Meeting discussion point 14 - The special case of UXO

The introduction of the new evidence- based survey methodology has already yielded tangible results and will accelerate the efficiency of clearing contaminated areas linked to human settlements most at risk and development priorities.

Proposed Key Follow up Activity	Specific Key Result	Time-Frame	Lead Agency, relevant SWGs and supporting Development Partners	Related 8 th NSEDP Result when applicable
14.1 Ensure commitment to and on-going implementation of an evidence based survey to allow a systematic approach to establishing the remaining UXO contamination in support of developing a multi-year planning and long term resource mobilization strategy	14.1. <i>Survey to Safety</i> strategy developed with UNDP's support and shared at Project Board Meeting. The plan includes completion of non-technical survey in four years and technical survey in 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.	2021	NRA/MoFA UNDP DPs	154/155
14.2 Use mid-term review of Safe Path Forward 2 to more closely link priority operations to national development priorities, introduce streamlining of operations to increase productivity and revise clearance measured by the number of hectares with more realistic and appropriate targets	14.2 2016-2020 UXO Sector Work Plan approved by NRA including targets for survey and victim assistance; also UNDP's UXO project from 2017-2021 developed and in final stages of agreement. Non-hectare targets also included in 8NSEDP.	2020/ 2021	NRA/MoFA UNDP DPs	154/155 156/157
14.3 Better articulate needs for remaining UXO contamination. This includes sharing the operations' work plan, transparent reporting and joint monitoring missions with donors	14.3. <i>Survey to Safety</i> strategy developed to quantify contamination. Also Confirmed Hazardous Areas shared with operators for improved collaboration. Technical Working Group on Information Management convened by NRA.	2021		154/155
14.4 Scale up resources and capacities	14.4. Significant new donor contributions made through UNDP's	2021	NRA/MoFA	154/155 156/157

	project to the national UXO institutions; capacities supported by Sterling/UNDP Technical Advisors; new project of UNDP already attracting interest from donors; United States has announced 90m contribution to sector over three years, including focus on method survey.		UNDP DPs	
14.5 Strengthen the overall multi-stakeholder partnership for accelerating efforts to address UXO problems through a sector-wide approach with periodic oversight meetings of key Government ministries, DPs and implementing partners	14.5. UNDP project encapsulates full plan for both national UXO institutions and provides mechanism for coordinated support by donors. Sustainable Development Goal 18 announced in 7 September 2016 provides Government of Lao PDR's long term vision.	2030	NRA/MoFA DPs	154/155 156/157

GOVERNANCE (GOVERNANCE SWG)

SWG Chair and Co-Chairs: GSWG is Co-Chaired by the Minister of Home Affairs, Minister of Justice, and Resident Representative of UNDP.

SWG key mandate: The main objective of the Governance Sector Working Group is to ensure convergence of development partner assistance and approaches in different areas of governance reform, and help execute the Country Action Plan of the Vientiane Declaration on Aid Effectiveness.

SWG Secretariat focal Points:

- ❖ Government officials:
 - Mr. Nisith Keopanya, Director General of Planning and Cooperation Department, Ministry of Home Affairs
 - Mr. Nalonglith Norasing, Acting Director General of Planning and Cooperation Department, Ministry of Justice
 - Ms. Vilaythone Sounthone Xaymongkhonh, Deputy Director General of Planning and Cooperation Department, Ministry of Home Affairs.
- ❖ Development Partners: **Head of Governance Unit, UNDP**
- ❖

Technical Support Staff:

- ❖ Government officials:
 - Mr. Bounthom Phenglattavong, Director of International Cooperation Division, Planning and Cooperation Department, Ministry of Justice
 - Mr. Benz Vongpadith, Director of Cooperation Division, Planning and Cooperation Department, Ministry of Home Affairs
 - Ms. Mouknapha Manirath, Technical staff, Planning and Cooperation Department, Ministry of Home Affairs
- ❖ Development partners:
 - Ms. Viengmala Phomsengsavanh, Governance Programme Specialist, Governance Unit, UNDP

The GSWG has two sub-sectors working groups: (1) the Public Service Improvement, co-chaired by Ministry of Home Affairs, the Swiss Agency for Development and Cooperation –SDC and UNDP, and (2) the Legal and Institutional Oversight, co-chaired the Ministry of Justice, the European Union and UNDP.

I. Overall progress towards sectoral outcomes and results

Governance and public administration reform in Lao PDR advanced steadily during 2016, both in the areas of public service improvement (PSI Sub Sector Working Group) and legal sector/Rule of Law (LIO Sub Sector Working Group).

Public Service Improvement

Central-Local relations and Service delivery

The administrative framework was updated in line with government policies, including amendments to the Law on Government, Law on Local Administration and draft regulations on City and Municipality. Taken together, these laws are expected to address ambiguities and clarify the roles and responsibilities between the offices of the Prime Minister, Deputy Prime Minister, Ministers and Heads of Ministry-equivalent organization; and clarify further the mandates, roles and functions between levels of government and administration. The amended Law on Local Administration is also aimed to promote better relationship between provincial authorities and the National Assembly Constituency

Offices, and stronger collaboration with mass organizations and civil society to participate in the public sector development.

The updates incorporate provisions that reflect lessons learned from the pilot implementation of the government's Sam Sang pilot and also need to be accommodated within the Constitution. Following the 2 year piloting to October 2014 of the government's devolution initiative –“ Sam Sang” the government has now extended the policy to cover all provinces and district in Lao. Under Sam Sang, local administration is being assigned more responsibilities and authority to become more proactive and self-reliant in local development and poverty reduction. The 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 ongoing challenges given the pressures on State budget.

Capacity and budget support to local administration has been provided under the District Development Fund (DDF) to 53 District administrations, enabling them to engage with local communities to identify and provide services related to priority MDGs. The DDF, developed and financed by development partners (UNDP, UNDCF, SDC, Republic of Korea and Luxembourg Government, uses the government's own systems and staff to provide untied block grants together with practical learning. DDF simultaneously strengthens both service provision and the inherent ability of local administration to manage service delivery, for a more inclusive and sustainable approach. A proposed new project of support (GIDP6) to the national governance and public administration reform programme (GPAR) will advance local service delivery and include co-funding from State budget at Province level. Greater alignment of DDF, Sam Sang and Poverty Reduction Fund (PRF) would be a practical example of effective partnerships and accelerating the implementation of the 8th NSEDP and SDGs.

People's participation and representation:

In terms of participation, Laos has various channels and forums for people participation, which range from indirect participation through representative institutions such as the National Assembly, approved Party mass-organisations (e.g. women, youth, trade union, etc) and formal business associations (e.g., Chamber of commerce, etc), to interest groups, civil society, Non Profit Associations (NPAs), the formal media and other forms of social communication.

There has been increasing recognition by both central and local government agencies of the valuable role of civil society as a partner in development. The Vientiane Declaration and the VDII, highlights the importance for increased engagement of INGOs and NPAs in the country socio and economic development programming process. The 2009 Decree 115 on Associations also marks an important step in the formal recognition of Non-Profit Associations (NPA) as partners in development. Approximately 157 nationwide (including 147 Associations and 10 Foundations). These organisations are primarily engaged in community development activities more than advocacy. Engagement in meaningful policy dialogue at the sub-national and national level is nascent; NPA's participation in the Governance Sector Working Group and Round Table Meetings; and with the adoption of the SDGs, especially SDG 17- Partnership for the Goals, is expected to move in a positive direction. The GSWG provided forum to the members to discuss the implication and opportunities for enhancing partnership for development and how to translate the SDG 17 into actions.

Following a number of consultation involving INGOs, development partners and representatives from various ministries the INGO implementation guideline were finalised and approved by the Minister of Foreign Affairs in 2015. A regular mechanism is established to discuss the implementation of INGO guidelines, amongst INGOs, DPs and MoFA at the national and provincial level. There is ongoing need for continued stakeholders dialogue on emerging decrees and regulations on these matters.

The revision of the Association Decree (No.115) has been approved in principle by the government monthly meeting on 20 October 2016. Among the major improvements in the revision are (i) clearly defined the process to set up the Association (ii) devised Association into three categories (iii) various Ministries directly approve the Association that operates in their areas of responsibilities and Ministry of Home Affairs is responsible to register all types of Association (iv) various Ministries approve the fund and project of the Association that exercise in their areas (v) clearly defined the coordination mechanism among the central ministries, ministries and local authorities, and among locals. Ministry of Home Affairs has been actively developing the necessary administrative and organizational capacities at all levels for management of civil society affairs.

National Assembly and Provincial Assemblies

Over the past five years, the National Assembly has provided increasingly proactive oversight of public services and aspired to increase people's participation in the decision-making process, through such tools as the hotline, petitions, and public hearings. A constitutional amendment adopted by the NA Ordinary Session in December 2015, paved the way for establishing local assemblies. Elections to the new People's Provincial Assemblies (PPA) *for the first time* were held in March 2016 and consequently, 100% of the 360 People Provincial Assemblies (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) of the members are new, including most of the highest positions. During the GSWG meeting in July, stakeholders, including from government, development partners, civil society, discussed the role and responsibilities of the new PPA and their mandate to oversee local plans, budget approval, local administrative performance and accountability, including appointment and removal of Provincial governor/vice-governor and to generally represent local citizens' voice.

Legal Sector/Rule of Law

During 2016, several key initiatives related to policy reforms in the legal sector have 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.

Many of the activities envisaged under LSMP have been, or are in the process of being, implemented. Approximately 109 laws have to date been adopted by the National Assembly, courts and prosecutors' offices have been restructured or new ones added, plans are underway to establish an administrative court and Village Mediation Units have been established in most villages.

The Government is currently in the process of codifying the criminal and civil codes. This marks a critical juncture in the legal sector as the codes are expected to introduce new legal provisions in the both spheres giving rise to significant changes in the legal landscape. Particularly important are the international obligations which need to be incorporated into domestic laws. Both codes are expected to be finalized and adopted by end 2016 or early 2017.

For the very first time in the justice sector, efforts are underway to draft the legal aid decree based on empirical evidence. The legal aid survey led by the Ministry of Justice will form the basis on which the legal aid decree will be drafted. The survey has set a positive trend in recognizing the need to have reliable and current data to draft pragmatic laws. The database installed to monitor judgement enforcements and the pilot case management system once completed are expected to make delivery of justice services more efficient. The case management system in particular is expected to reduce the time taken to transfer files from court houses at the subnational level to the central level.

Human rights education in the country is in much demand. Despite efforts by Treaties and Law Department at Ministry of Foreign Affairs to ensure wider dissemination of information related to human rights and treaties many segments within the justice sector still remain ill-informed on human rights. Efforts are now underway to embrace innovative approach such as self-learning online forums to disseminate information on human rights more widely and in a cost effective manner.

Following the completion of the 2nd Universal Periodical Review (UPR), the government has adopted 116 recommendations from a total of 196 recommendations it has received. Lessons from the 1st UPR cycle reveal the need to have a well elaborated action plan to follow up on UPR implementation. MOFA has initiated the needed process to draft an action plan which is expected to be completed by end 2016.

The Lao Bar Association is currently leading the amendment of the law on lawyers in Lao PDR. Despite several administrative barriers the Lao Bar Association has continued its efforts to expand and strengthen the legal profession in country. The provincial level offices (in 3 provinces) and district units (in 4 districts) were established during this year to expand its outreach. Several administrative reforms including the restructuring of the internal administrative frame work of the Lao Bar Association was done to increase stronger accountability.

II. Overview of Sector Performance in 2016

Sector outputs and activities	Progress	Challenges and opportunities
A. Thematic (substantive) areas		
1. Actions/activities relating to the 12th HL RTM key recommendation/discussion points		
11.1 Facilitate an establishment of a mechanism to discuss and monitor the implementation of the UPR governance	<ul style="list-style-type: none"> MOFA is in the process of drafting an action plan which is expected to be completed by end 2016. 	<ul style="list-style-type: none"> Opportunity to receive feedback and collaboration from all stakeholders (Government agencies, development partners, INGOs/NPAs) in order to improve the action plan as well as to implement it.
11.2 Key challenges and opportunities in the scaling up of Sam Sang will be discussed, including sharing lessons from similar development models such as the District Development Fund (DDF)	<ul style="list-style-type: none"> Updates made to administrative, legal frameworks and to Constitution that reflect lessons learned from the pilot implementation Sam Sang pilot. Sam Sang policy now extended to all 148 districts. 	<ul style="list-style-type: none"> Sam Sang implementation may be incremental, depending on local capacity, with certain functions being selectively assigned to districts. Expansion of Sam Sang to all 148 district presents challenges

Sector outputs and activities	Progress	Challenges and opportunities
	<ul style="list-style-type: none"> Following on from a Review and GSWG panel discussions in 2015 on lessons and possibilities for greater alignment between DDF and Sam Sang, stakeholders have discussed opportunities for practical collaboration and greater alignment to Sam Sang and government systems, (as per VDII). 	<p>given the fiscal constraint and pressures on State budget.</p> <ul style="list-style-type: none"> MoHA and relevant agencies are considering further how to use DDF. Initial discussions with PRF and DDF have also taken place, and will continue. G A new a district 'basket fund' is being proposed, which could be co-funded by participating agencies and managed by district administration based on the successful DDF. This local budget collaboration could be a practical example of alignment and effective partnerships, which accelerate the implementation of the 8th NSEDP and SDGs.
<p>11.3 Key development on emerging topics related to governance reform such as constitutional amendment, penal and civil codes will be discussed and space for wider participation and contributions from development partners and civil society will be created</p>	<ul style="list-style-type: none"> Increasing recognition by both central and local government agencies of the valuable role of civil society as a partner in development. Constitutional amendment and People's Provincial Assemblies (PPA) established. PPA elections held in March 2016. At GSWG meeting in July, stakeholders (government, development partners, and civil society) discussed the mandate of the new PPA - to oversee local plans, budget approval, local administrative performance and accountability. Legal, administrative & Constriction updates support roll out of Sam Sang. 157 registered NPAs & MoHA management systems improving support to NPA including registration etc. The revision of the Association Decree 	<ul style="list-style-type: none"> Engagement in meaningful policy dialogue at the sub-national and national level is nascent; NPA's participation in the Governance Sector Working Group and Round Table Meetings; - and with the adoption of the SDGs, especially SDG 17, is expected to move in a positive direction.

Sector outputs and activities	Progress	Challenges and opportunities
	(No.115) has been approved in principle by the government monthly meeting on 20 October 2016.	