



**Round Table Implementation Meeting  
22<sup>nd</sup> and 23<sup>rd</sup> November 2017  
Pakse, Champasak Province, Lao PDR**

**Background Document**

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## I. Introduction

1. Development cooperation in Lao PDR is evolving towards greater and more diverse partnerships, which are essential for achieving the goals of the 8<sup>th</sup> National Socio-Economic Development Plan (NSEDP) and the Sustainable Development Goals (SDGs). The range of stakeholders engaging in the Government-led policy dialogue and discussions (such as the Round Table Meetings and Sector Working Groups) has also been expanding, covering not only the central government and traditional development partners, as well as National Assembly members, provincial authorities, south-south/regional partners, private sector and civil society. Lao PDR has identified, together with partners in development, 14 key action areas to enrich and enhance development effectiveness as stated in the Vientiane Declaration on Partnership for Effective Development Cooperation Country Action Plan (VDCAP 2016-2025).

2. 2017 represents an important year for development cooperation in Lao PDR. An important stock taking of what has been achieved alongside envisioning what lies ahead in light of the upcoming Triennial Least Development Countries (LDC) review in 2018 by the UN Committee for Development Policy (CDP), the voluntary 2018 SDG report, and other related events. It is also a year to further accelerate the implementation of the national development goals. In particular, various aspects of human development towards the aspiration of graduating from the LDC status by 2020. According to the report of the Committee for Development Policy (CDP) of March 2015, Lao PDR did not reach the threshold of LDC graduation. However, it has nevertheless made important progress in each of the three criteria. According to the latest estimates by the Economic and Social Commission and the Pacific (ESCAP), Lao PDR has met the GNI per capita criterion for LDC graduation and may be able to meet the human asset criterion in time for the 2018 review if its pace of progress continues over the next few years.

3. The previous Round Table Implementation Meeting (RTIM) organised on 24-25 November 2016 was broadly perceived as a success by the Government and its Development Partners (DPs). Its virtues consisted of frank and open discussions, continuity from 2015 High-Level Round Table Meeting (HL RTM), the inclusive nature and concrete outcomes achieved. The results of the RTIM have been translated into an instruction of the Prime Minister to line ministries, provinces and agencies concerned. To implement key discussion points of the RTM/RTIM, the partnership across all development cooperation spectrums still requires further strengthening. For example, the contribution and mobilization of support from the private sector to accelerate the achievement of national development aspirations, in particular, LDC graduation by 2020 remains most pressing medium term objective.

4. To follow up on the success of the 2016 RTIM, the 2017 RTIM will be organised on 22<sup>nd</sup> and 23<sup>rd</sup> November 2017 in Pakse, Champasak Province with the overall aim of shifting the development dialogue further onto implementation mechanisms, capacities and resources to assure local development impact.<sup>1</sup>

To guide our policy dialogue, this 2017 RTIM Background Document has been prepared to capture key initiatives/measures towards the outcomes and outputs of the 8<sup>th</sup> NSEDP during its second-year of implementation. Importantly, it includes some related national development agenda topics such as preparations for the 2018 Triennial LDC review, the Lao SDG roadmap including Lao first Voluntary National Review (VNR) of progress towards the SDGs, and update on the VDCAP implementation.

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<sup>1</sup> Please refer to the 2017 RTIM guidance note for more information on the meeting, agenda and preparatory consultations.

## II. A brief summary of progress on the implementation of the national development agenda in 2017 (with linkage to the key recommendations and discussion points of the 2016 RTIM)

### 2.1 Annual implementation progress across three outcomes of the 8<sup>th</sup> NSEDP, including cross cutting issues and preparation for the mid-term review of the 8<sup>th</sup> NSEDP

5. 2017 marks the second year of the implementation of the 8<sup>th</sup> NSEDP (2016-2020) where positive progress has been made contributing to the achievement of the plan's outcomes. Furthermore, the mid-term review of the 8<sup>th</sup> NSEDP will be carried out in 2018, which will report on the status of major targets of the NSEDP. The mid-term review will be carried out through participation of key national and internal partners at national, sectoral and provincial level. National data through surveys, administrative data and others will be used to highlight progress against national indicators. This mid-term review coincides with the preparation of the Lao Voluntary National Review on SDGs and the LDC review. To stimulate policy dialogue, the following sections will highlight key activities and initiatives undertaken by the Government which are critical to facilitate the achievement of the plan's objectives.

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

*(The following texts under this section attempt to address discussion points of 2016 RTIM: point 7: the important of quality growth, point 8: the importance of investment and trade and point 12: public private partnership).*

6. The Government of Lao PDR has been putting greater effort in 2017 to address inclusive and sustainable growth constraints. In particular, the Government has been working with all partners to balance economic growth with equity and sustainability to ensure more people can participate in and benefit from economic growth.

7. **Potential drivers of growth other than the resource-based industries.** During 2017, the Government has continued to suspend the consideration and approval of new mining and hydropower projects to ensure proper management of the existing activities/projects, with excavations and surveys being carried out. Some other key labour intensive sectors have been gaining increased attention such as agribusiness/agricultural productivity, tourism, hospitality and food service and urban development.

8. **Minimizing cost of finance.** The Government of Lao PDR has been working closely with partners to address the high cost of finance in the country by strengthening the soundness, efficiency, and commercial orientation of the financial sector. The very first steps taken included changes in the legal environment and a major restructuring of state-owned commercial banks (SOCB's).

9. **Improvements to the business climate and support to small and medium enterprises (SMEs).** *Improving business environment and quality private sector.* The Government of Lao PDR recently endorsed the amended Law on Investment Promotion No. 14/NA and established an Investment Management Committee chaired by the Deputy Prime

Minister. A further initiative included the creation of a One-Stop-Service Office under the Investment Promotion Department of the Ministry of Planning and Investment. The Government committed to improve the ranking of ease of doing business<sup>2</sup> in Lao PDR from 139 to a two-digit number by 2020. In this regards, important progress is being made to streamline business start-up procedures, including abolishment of the requirement to reserve and get approval of the enterprise name, launch of website which allows investors to download all application forms and carry out an online search of the enterprise name from the database, and an initiative to merge the Tax Registration System and the Enterprise Registration System is being considered under ongoing technical assistance to modernize the Tax System. Completion of a national survey on industrial establishments aims to compile basic industrial statistics, including calculation of value added in the sector and the formulation of evidence based policy recommendations. Furthermore, important progress is being made to map the enterprise registration process and development and mapping of business licenses/permits. In addition, a new Trade Facilitation Roadmap covering 2017-2020 was endorsed. The ongoing operation of the Lao Trade Portal has been updated replicating a similar initiative from other several developing countries. To further support business environment in Lao PDR, the 10<sup>th</sup> Lao Business Forum (LBF) was held on March 28, 2017 and was chaired by the Prime Minister. In the run-up to the forum, the Lao National Chamber of Commerce and Industry (LNCCI) and Ministry of Industry and Commerce (MoIC) had identified 32 priority issues raised during roughly 150 working group meetings. 16 of these 32 issues were discussed in detail during the Forum, with solutions for 4 of the issues already presented and implemented.

10. *Small and Medium Enterprises (SMEs)*. The Government continues to advance reforms for creating an enabling environment for SMEs. This seeks to take advantage of Lao PDR's increasingly open and integrated international trade, and adjust to the longer-term dynamic structural changes in the economy. Currently, there is a road-map which aims to improve firm and sector level competitiveness through provision of quality and productivity improvement support. Some of key on-going work on this include:

- *Business Assistance Facility (BAF)*. The BAF matching grant program started in October 2013 and finished in March 2017. At closure of the program in March 2017, BAF had assisted 208 firms, of which 34% were woman-owned, and BAF-assisted firms achieved average growth rates 21% higher than non-assisted companies;
- *Labour Productivity Improvement Scheme*. As of August 2017, labour inspectors have undertaken 84 factory visits, and provided training on the Labour Law to 680 workers in 8 factories (80% of trainees were women) – compared to 78 workers trained in July 2016. Importantly, the core group of twelve labour inspectors (including 3 women) conducted 10 factory assessments in the garment industry against the checklist covering national labour Law and core labour standards (between December 2016 and February 2017)
- *Garment Skills Development Centre*. GSDC has provided its on-going services such as public sewing operator training, pattern making, management seminars, industry engineering workshops etc. in parallel with its services, GSDC also conducted a number of outreach activities to advertise its services aimed at attracting more trainees to GSDC.
- *Some other key activities to support SMEs*, among other, include: launch of SME Service Centre under LNCCI to provide training and advisory services to SMEs, organizational development of LNCCI, training course on value addition within AEC-related value chains, studies on the impact of the AEC on the Lao tourism, transport and logistics sector, Public Private Dialogue and Information Events on

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<sup>2</sup> Published by the World Bank 2017.

AEC (15<sup>th</sup> and 16<sup>th</sup> LANITH Symposium in Tourism, Seminar in Coffee), technical trainings on Total Quality Management measures for Coffee Post-Harvest Processes in the four Southern Provinces, greening the Lao Tourism Value Chain, and support to First Lao Coffee Festival, World of Coffee Asia Exhibition, and International Tourism Exhibition Singapore.

**11. A stronger pool of educated, skilled and productive human resources.**

Knowledge development is important for further realising quality private sector investment for development. The Government acknowledges that limited competencies, research based knowledge, local innovation and education are some of the main bottlenecks. Without relevant knowledge and education, it is difficult to get a job or create sustainable local businesses. It is also difficult to be innovative and competitive in the global market. Realizing these, the Government recently launched the National Human Resource Development Strategy to 2025 and has increased its support to the education sector. Furthermore, the Government's increased efforts in private sector development will include R&D cooperation and innovation promotion. The Government has also committed to strengthening its support for partnerships between private corporations and the local private sector, as well as increased cooperation between research and innovation institutions.

**12. Health and nutritional status of children.** The Government has been working closely with all partners concerned at all levels to ensure coordinated approach to address food and nutrition security in Lao PDR in particular enhancing child wellbeing to promote inclusive growth. As inequalities develop early in life, and that childhood experiences are important determinants of later outcomes, measures that the Government is considering include: i) optimise investment flows across childhood, ii) improve the work-life balance of parents, iii) adopt policy support to changes in family settings, iv) give every child the opportunity to succeed in school by investing in a diverse set of skills, and v) integrate and cascade service delivery for vulnerable children.

**13. Infrastructure development.** The Government will ensure that infrastructure development keeps pace with the country's fast economic growth and rapid urbanization, to ensure sustainable growth and improve the welfare of the people. Great efforts have been made to ensure regional connectivity under the Master Plan on ASEAN Connectivity (MPAC 2025). Transport infrastructure is a prime focus of the national development. Currently, the road network serves all parts of the country. However, road density is still low compared to other countries in the region. Therefore, the Government has been putting more efforts to develop and expand this further. Improvement and maintenance of existing roads are underway: Feasibility Study (FS) for National Road No.8 (Ban Lao-Lakxao-VN border), No.12 (Thakhek-VN border) and No.13 (Vientiane-Phon Hong). Expressways are under Feasibility Study (FS): Boten-Huaxay, Boten-Vientiane and Vientiane-Hanoi. The Government has also been highly committed to increase the percentage of paved roads. For railways, construction works have started, at the Lao-China railway project, with 11.4% progress. The Feasibility Study for the Vientiane-Thakhek-Mugia-Tun Up-Vung Ang (the spur line of ASEAN SKRL – Singapore Kunming Rail Link) is currently being carried out and expected to be completed by end of 2017. The Government has also been putting efforts to improve and renovate municipalities through proper urban planning and water and wastewater management. Road safety is a matter of attention in order to reduce the number of accidents. In terms of telecommunication connectivity, ICT strategic plan towards 2025 has been drafted. In all efforts, the Government has been paying great attention to the fact that it is crucial not only to provide infrastructure but also to build capacity to management and operate it.

## Output 2 – Macro-Economic Stability

(The following texts under this section address discussion points of 2016 RTIM: Point 5: Risks and Vulnerabilities and Point 6: Revenue Generation).

14. The Lao economy is estimated to have grown at around 6.83% in 2017. With moderate growth, though still high, the Government is fully aware that vulnerabilities remain. Within the context of the global and regional economy, the Government is fully committed to strengthening the country economy's resilience to external shocks and put in place conditions for sustainable growth.

**Table 1: Macroeconomic achievements and targets**

Key Macroeconomic indicators	2017 (Pre-Estimated)	2017 (Targets)	2018 (Targets)
GDP per capita	\$2,472	\$2,341	\$2,536
GDP Growth rate	6.83%	7%	7%
(Agriculture)	2.78%	3.1%	2.8%
(Industry)	9.53%	8.9%	9.1%
(Services)	6.15%	7.8%	6.4%
Budget deficit	8,019 Billion Kip	8,461 Billion Kip	7,357 Billion Kip
(Revenue collection)	23,489 Billion Kip	23,941 Billion Kip	25,452 Billion Kip
(Budget expenditure)	31,503 Billion Kip	32,402 Billion Kip	32,809 Billion Kip

Source: NSEDP 2017

15. **Fiscal policy.** The Government has maintained its consolidation efforts. Greater emphasis has recently been placed on revenue administration and expenditure rationalization to ensure continued consolidation. Revenues, as a ratio of GDP, are expected to decline to 16.76% of GDP in 2017 from about 19% in FY 2015/16. To respond to the revenue shortfall, the Government has continued implementing different measures, particularly raising non-mining revenues, improving the valuation of imported vehicles to calculate import taxes, eliminating exemptions for oil imports in public projects, revising excise taxes, and better administering Value-Added Tax (VAT). On exemptions, the Government has been revising two key Laws (Investment Promotion and Special Economic Zones) and reviewing the application of exemptions, particularly for vehicles and construction materials. On tax policy, the Government is planning to introduce a land tax and revise some rates on existing taxes. There is also a plan to introduce point-of-sale (POS) recording of transactions for retail businesses and to require strengthened bookkeeping for presumptive taxpayers. This would help improve tax compliance over the long run. For tax administration, large taxpayers should be managed centrally and there has been a discussion to transfer this function from provincial offices to the central tax office.

16. **Monetary and exchange rate policy.** The Bank of Lao PDR (BOL) continues its policy of maintaining the stability of the Lao kip by tightly managing the exchange rate of the Kip against the US dollar and Thai baht and in keeping the inflation low. This is a temporary arrangement and more flexibility is desirable in the medium term. Therefore, the Government will put in place the preconditions for greater exchange rate flexibility which would promote reserves accumulation. The Government is astute to foreign currency lending risks and is considering additional prudence on macro-economic measures. For interest rate caps, this is a way of broadening access to credit. However, it is temporary until a well-functioning financial market is developed. In terms of gross international reserves, this currently covers 4.1 months of imports. This is considered to be adequate and a higher level would further safeguard stability.

17. **Financial stability.** The Government has made greater efforts to improve banking supervision and detect risks. Currently, BOL is working to amend its legal framework to strengthen risk-based supervision and move towards Basel core principles for effective

banking supervision including improvement of prudential regulations. A plan to restructure public banks is underway and work is on-going. BOL has also been working on upgrading the payment system, and other information requirements for the securities markets. To address key challenges of the banking sector, BOL is working, among others, on i) a repair of its balance sheet to reduce the possibility of an external shock, eliminating forbearance, introducing regulations to better account for Non-Performing Loans (NPLs) which would help clarify recapitalization estimates and restructuring options. To further improve supervision, the moratorium on new bank licenses is being maintained and stronger risk-based supervision has been applied. In term of enhancing transparency, public disclosure of audited statements of banks in Lao PDR have currently been enforced. In the area of accounting, BOL considers upgrading requirements in line with International Financial Reporting Standards (IFRS). On bank licensing, proper criteria to safeguard against Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) risks have been upgraded.

18. **Debt management and sustainability.** Lao PDR's risk of external debt distress has been reclassified from moderate to high by IMF. However, due to a significant part of the external debt being long term concessional loans, it is anticipated that there will be no difficulties in servicing debts and the public debt level will remain manageable. This is due to the fact that energy projects will generate high and stable economic returns upon completion and will supply enough foreign exchange to service debt. Also, a relative long maturity profile of loans, as well as US dollar returns of the exporting sectors, would help mitigate the risks of debt distress. For a priority of the Government, achieving the target of 40–45% of GDP by mid-2020 is still the case. Therefore, the Government has been putting greater emphasis on tightening fiscal policy, strengthening public financial management and forging a plan for a comprehensive debt management strategy which will be proposed to the National Assembly in due course. The important task is to focus on serving existing debts rather than creating new debts. Additionally, a borrowing ceiling has also been set. Projects with value of US\$50 million will be approved by the Government while projects with value higher than US\$50 million will be approved by the National Assembly. Steps have been taken to limit the contracting of additional debt to concessional borrowing. A new legal framework for the contracting and management of public debt has been prepared and Ministry of Finance has now been reorganized to merge the management of all debt (domestic and foreign) in one department. The contracting of central banking financing of off-budget investments has now been eliminated.

### **Output 3 – Integrated Development Planning and Budgeting**

19. **Policy direction.** The approval of the Vision 2030 and the Public Finance Development Strategy to 2025 “Building Strong, Transparent, Fair, Modern Public Finances in line with International Standards” by the National Assembly in 2017 has provided a clear policy direction and framework through which to strengthen the links between the national plan and the development budget, and to improve coordination between the latter and the recurrent budget. Overall, this objective of the strategy is to strengthen public finances so as to achieve outcomes detailed in both the vision 2030 and 8<sup>th</sup> NSEDP, with overall targets on GDP growth, state revenue collection, expenditure and debt management drawn directly from the 8<sup>th</sup> NSEDP. Focus has also been made toward key measures such as i) ensuring clarity of policy direction and institutional frameworks; ii) ensuring that budget allocations reflect priorities; iii) ensuring that spending is consistent with approved budget allocation and allotments, and; iv) greater scrutiny over the measuring of results and ensuring implementation feedback into the policy process.

## Output 4 – Balanced Regional and Local Development

20. **Transportation and agricultural production.** The Government has invested greater effort to ensure balanced regional and local development. One area concerns the *construction and maintenance of rural roads* (especially Farm-To-Market Roads) in different parts of the country in order to better link market connection with the rural population. For the national budget, the Government has also increased approval budget from 56 million USD (2015-2016) to 80 million USD (2017). *Agricultural production* and related activities have been encouraged throughout the country taking into consideration of geographical advantages. For instance, in the North, a focus is on rice production, economic tree cultivation such as teakwood, rose wood, and patterned hardwood, latex plantation, vegetable oil processing, sugar cane and tea processing and others. For the central, key activities include rice production, sugarcane and cassava plantation, livestock, non-timber forest products (NTFP), and others. For the South, priority is on plantation and production of coffee, tea, cashew nuts, and pepper, rice production, fish farming, and rubber tree plantation. Throughout the country, considerable efforts were made in 2017 on the means for development of commercialization and for the realization of stable income earning possibilities for rural communities, which in turn, contributes to poverty reduction.

21. **Tourism and services** have also been a priority in preparing for “Visit Laos Year 2018”. Throughout the country, the Government has recently invested more in infrastructure development and encouraged effective service and production sectors. For instance, Vientiane International Airport Terminal Expansion project has been in operation and work is expected to be completed on time for the visit Lao Year 2018. From now till 2018, a calendar of events - national, regional and local festivals and activities - will be made public to encourage a coordinated approach for tourism and services across the country. One District One Product (ODOP) has recently been introduced in Lao PDR as a Government’s initiative to help contributing to the poverty reduction in the country.

## Output 5 – Improved Public/Private Labour Force Capacity

22. **Policy measures.** In 2017, a number of activities have been carried out contributing to the achievement of the 8<sup>th</sup> NSEDP targets under this area of work. Some measures/policies for labour force capacity include: i) providing youth with vocational training and finding jobs for them; ii) upgrading labour skills development and working discipline; iii) paying attention to labour law implementation, inspection, and enforcement, and; iv) effectively managing Lao and foreign labour. Various training and seminars were organized throughout the country have sought to enhance the effective implementation of the recent revised labour laws since a number of changes to the basic rules of employment in Lao PDR have been introduced, including the employment of foreign workers.

23. **Education and human development.** The education sector is placed at the center of national human resource development. Recently, the Government adopted the National Human Resource Development Strategy (NHRDS) to 2025, the Law of Education (amended version, July 2015), the TVET Development Plan 2016-2020, the Higher Education Development Plan 2016-2020 and other government policies and directives. Particularly, the NHRDS aims for Lao PDR to develop human resources to be the main driver of sustainable socio-economic development, to be industrialized and modernised and to equip Lao labour with high skills and competence that will enable them to integrate into and compete with ASEAN and the international arena. Within the NHRDS framework, along with strategies for skills development, the strategies for social benefit and service access by Lao labours have been developed. All of these strategies have been implemented to make a progress specific 8<sup>th</sup> NSEDP outputs.

24. **Technical and Vocational Education and Training (TVET).** This sub-sector has received high attention by the Government. A key development drivers will be highly skilled TVET graduates that will strengthen the national workforce, and in turn, contribute to national socioeconomic development. Both public and private TVET Institutes offer a wide range of vocational and technical training courses for those who have completed lower secondary school. Furthermore, TVET offers three levels of training courses to accommodate those who dropout from lower secondary education. Despite a number of efforts made to develop the TVET sub-sector, the overall quality of TVET is still limited. To develop and increase access of young citizens to TVET education that will meet the needs for the current and future labour market, key interventions supported by ADB, GIZ, KFW, Lux Development, SDC, DVV International, UNESCO and others continue to be implemented.

25. **Higher Education Institutes** offer a various number of study course programs including Diploma, Bachelor, Master and Doctoral courses. Currently, there are 99 Higher Education institutes (28 of which are private institutes). There are 1,711 government scholarship recipients and 6,216 privately funded students studying at the 4 public universities. The key challenges faced by the Higher Education sub-sector include capacity of staff and instructors, limited courses on subject areas to meet the needs of the national socio-economic development strategy and scientific research that is not well aligned to priority development sectors. ADB continues an important backbone of support for Higher Education.

26. **Non-Formal Education (NFE)** sub-sector is prioritized by the Government to continue the result of the previous implementation of the 'education for all' policy. Youth and adult education contributes to the growing workforce which is a driver of the national economic growth and also pre-requisite of the LDG graduation. Thus, a creation of opportunity for youths and adults to access to education will help increase their literacy, numeracy and life skills to enable them to actively engage in social and economic actives. The NFE subsector provides a wide range education equivalency programs to target the needs for education of the youth and adult population including out of school children and the drop-outs aged from 6-14 years old. NFE's programs include the literacy training program, the primary education equivalency program, lower secondary education equivalency program, upper secondary education equivalency program and basic vocational training program. In addition, with DP support, NFE subsector has developed a concept of Life Long Learning (LLL), subsequently featuring within a Prime Minister Decree. However, there are issues to be addressed including effective operation and function of the NFE centers at provincial and district level, a limited budget, limited experienced teachers and insufficient supplies of learning and teaching materials. NFE has been supported by DPs including DVV International, UNESCO, UNFPA, Village Focus International and IV-Japan.

27. **Other initiatives.** The Government, with DP support, has also been working on high-quality labor market information with progress supporting the facilitation of employment shifts that promote employment growth across and within sectors. Labour market fairs were organized throughout the year in order to provide good-quality labor market information which is needed to identify emerging employment opportunities. The Government has also been working with partners to compile up-to-date information about the jobs held by and the general circumstances of Lao labours. A second labour market survey was launched in 2016 and a plan for a third one is underway. The findings and the new statistical information of the labour force survey will support planners, policy makers, researchers, students and other users. The latest survey's aim was to provide information

about the movement of labour, training for skilled labours, the structure of employment and unemployment levels.

## **Output 6 – Develop entrepreneurs, technical experts and professionals**

28. **Local skills training programmes.** Currently, each province now has at least one vocational school. Increasing emphasis is being placed on aligning local skills training programmes with national and local economic and industrial policies and opportunities. Students enrolled in vocational trainings are largely found pursuing vocations in accounting, management and hospitality rather than in engineering and technical courses where a large skill gap or unmet demand seems to exist. Therefore, an effort has been to ensure an increased enrollment in these areas. In addition, with admissions to TVET have risen in recent years, there has been ongoing efforts to improve the quality education and hands-on training, to increase qualified and trained teachers, as well as to strengthen curricula, teaching and learning materials, and other facilities.

29. **A link between TVET and other degrees.** In terms of pathways from TVET to bachelor's and master's degrees, recent developments have taken place in this area. A comprehensive, multi-sectoral approach has been applied to analyze the demand for education in the labor market. In particular, there is on-going discussion over the right labour market policies, as well as trade and industrial policies, which need to be in place to create effective demand for educated workers. In addition, to help achieve the targets of the 8<sup>th</sup> NSEDP in this area, the emphasis has now been toward highly rewarded in the labor market (critical thinking, problem solving, and behavioral skills, as well as skills in information technology).

## **Output 7 – Regional/International Cooperation and Integration**

30. **Legislative amendments.** As part of its efforts to secure WTO membership, the Government has made legislative amendments in a number of areas, including tax, trade and intellectual property. In addition, it has signed a series of trade-related agreements with Cambodia, China, Japan, the Republic of Korea and the US, among other countries. To comply with the Asian Economic Cooperation (AEC) integration process, Lao PDR is expected to reduce its import tariffs to zero on goods imported from other ASEAN countries by the year 2018 and remove non-tariff barriers.

31. **ASEAN integration.** With recent data from the 5<sup>th</sup> Human Development Report, Lao PDR has the youngest labour force in the region and is expected to benefit from demographic transition. The share of the population of working age (aged 15-64 years) in Lao PDR is projected to increase to 69% in 2050, compared with 68% in Myanmar, 65% in Cambodia and 62% in Vietnam. In addition, ASEAN economic integration should create more opportunities for Lao PDR to grow and diversify in different directions. Some of key activities to further promote increased economic integration through focusing on effective implementation of goods and services commitments at both the WTO and ASEAN levels are:

- Launch of the Lao Services Portal, which contains information related to trade and investment in services in the Lao PDR, including legal documents, measures, procedures, forms, services commitments, news, publications and other information related to trade and investment;
- Establishment of a Regulatory Authority for the Telecommunications Sector and adoption of sector regulations, in particular, the framework for competition, interconnection, licensing regime and spectrum management;

- Adoption of key SPS legislations, including Law on Plant Protection and Law on Livestock and Veterinary Matters, and finalization of a number of relevant implementing regulations;
- A number of key insurance sector regulations are being developed, for instance, regulations on reporting standards, reserve standards, insolvency, re-insurance, and inspection. Preparatory work has also begun to revise the existing Insurance Law;
- Development of regulations and capacity building for the professional body of accountancy as required by the ASEAN Mutual Recognition Agreements; and
- Developed implementing regulations for the IPR Law on unfair competition and plant variety, enhanced technical capacity coordination to fully implement the IPR border protection measures and developed detailed draft guidelines on IPR adjudication for the SPC.

32. In term of **development cooperation**, like many developing countries, Lao PDR will seek to mobilise the right scale and mix of finance, incorporating all resources – public and private, domestic and international. It has increasingly recognised that to achieve this, as well as utilising these resources effectively, requires an integrated national financing framework, as outlined in the Addis Abba Action Agenda (AAAA). Specially, on Official Development Assistance (ODA), the trends suggest that a movement towards ODA reduction and a change in the assistance portfolio are already taking place, much earlier than when the country will possibly graduate out of its LDC status, in the next few years. However, ODA plays a necessary role to support different sectors contributing to poverty reduction and economic development. DPs have been committed to support Lao PDR and align their support with 8<sup>th</sup> NSEDP including LDC graduation and SDG achievement within the framework of Vientiane Declaration on Partnership for Effective Development Cooperation.

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

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

33. **Policy measures.** Progress has been made during the second year of the implementation of the 8<sup>th</sup>NSEDP to address critical constraints to reducing poverty and inequality in rural areas. To help achieve the targets of the plan, the focus of the Government in recent years has been on: i) creating jobs, increasing productivity, and improving the quality of jobs in the non-farm sector provides a pathway for reducing poverty, ii) improving the business environment as necessary to attract investment to create non-farm jobs and raise wages without hurting competitiveness, iii) increasing investment in education to provide people with the necessary skills to obtain good jobs outside agriculture and also improve the productivity of farmers, and iv) strengthening the social protection system to ensure sustainable poverty reduction, especially putting in place social welfare programs that target the vulnerable and the chronically poor.

34. **UXO and mine actions.** Reducing the impact of UXO in Lao PDR constitutes a Lao National Sustainable Development Goal. In doing so, work has been progressing in a number of activities to support the poverty reduction effort and further accelerating rural

development. For instance, to help further enhance implementation of an evidence based survey the 'Survey to Safety Strategy' will be updated to encompass projected resources and its implementation plan is in process of being finalized. In addition, consultations on the finalization of the updated survey procedures have recently been carried out. In term of prioritization, currently more than 51,000 Ha of Confirmed Hazard Areas (CHAs) have been identified (of this, provincial authorities consider at least 10,000 Ha of CHAs is high priority for clearance). This work will commence in 2018. To better articulate the priority needs for remaining UXO contamination, transition to using IMSMA for all data reporting continues to be on track by December 2017. More than 10 joint monitoring missions were carried out during the first half of the year. In terms of coordination and creating linkage with other sectors, work on integrating UXO curriculum into primary schools has made good progress in collaboration with Ministry of Education and Sport. On-going dialogue has been carried out with Ministry of Labour and Social Welfare and Ministry of Health on victim assistance.

35. Under the **Sam Sang devolution initiative**, which has since been officially extended nationwide to all 148 districts, local administrations are being assigned more responsibilities and authority to be 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 taking into consideration of the national budget.

36. **The District Development Fund (DDF)** simultaneously strengthens both service provision and the inherent ability of local administration to manage local service delivery. DDF, which has provided practical capacity in local service delivery to 2,650 local officials and direct budget support to 53 District administrations (1.2 million beneficiaries), reached its end in December 2016. A new programme of support (GIDP)<sup>3</sup> to the national governance and public administration reform programme (GPAR) will take DDF to the next level as an established tool to effectively promote better local public financial management and services. The positive experience of DDF to promote workable budget devolution and effective public financial management and services at the sub-national levels, should be able to inform the emerging national public financial management protocols. Discussions have been well advanced between the Poverty Reduction Fund and DDF on the joint cooperation pilot.

## **Output 2 – Food Security Ensured and Malnutrition Reduced**

*(The following texts under this section address discussion point of 2016 RTIM: Point 3: Food and Nutrition Security).*

37. **An independent strategic review/assessment on food and nutrition security** in Lao PDR was carried out in 2016. The review represented an important contribution to the process of localizing the 2030 Agenda for Sustainable Development in the national context. Based on the progress during 2000–2015, this independent strategic review confirms positive gains related to food and nutrition security in a number of sectors including policy leadership, economic growth, poverty reduction, and overall food availability. However, challenges remain in terms of environmental policy and climate change adaptation, social protection, effective management at all levels and chronic malnutrition. Emerging concerns include urbanization and migration, off-farm employment, food safety (for both producers and consumers), disaster risk and resilience, and institutional sustainability. To address these challenges, the Government has been putting greater efforts on existing programs on food and nutrition security and getting

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<sup>3</sup> Governance for Inclusive Development Programme (2017-2021)

ministries to work better together and to coordinate their actions, in particular at the provincial, district and community level. A number of trainings and workshops at provincial level were organized with support from various development partners to build local capacity and further strengthen multi-sectoral coordination.

### Output 3 – Universal Access to High Quality Education

38. 2017 marks the second year's implementation of **the Education Sector Development Plan (ESDP) 2016-2020** and as required, the Mid Term Review (MTR) for the implementation of the ESDP will be conducted in 2018. The outcomes of the MTR for the ESDP conducted in 2018 will reshape the objectives, targets, focus areas and investment for the next two years of implementation of ESDP in light of the adoption of the SDG4: "Ensure inclusive and equitable quality education and promote life-long learning opportunities for all", which is directly related and implemented by the education and sport sector.

39. Some key updates from sub-sectors contributing education outcomes are that:

- *Early childhood education (ECE)* has been rapidly expanded across the country in recent years. With the support of development partners, the Early Childhood Education sub-sector has improved its curriculum development, teacher training, teaching and learning materials and increased to a number of pre-school and pre-primary classes.
- *Primary education* is a priority and quality education remains a challenge to be addressed. A number of interventions initiated by the Government and supported by development partners have been implemented to address an issue of a low internal efficiency that is measured by repetition, dropout and survival rates.
- *Lower secondary education* defined in the Law of Education (amended version, 2015) as a part of compulsory education has made positive progress and attention is on repetition rate and low dropout.
- *Upper secondary education* rapidly increased recently to accommodate the high number of lower secondary graduates. It is interesting to note that the southern provinces and the northern provinces have a low enrolment rate. The repetition rate of the upper secondary students remains under 1% over the last four consecutive years. However, dropout has increased over the last three consecutive years. The major causes of the drop out are being analyzed by MoES, which will help address the issue of a high secondary school dropout rate.

40. The positive progress made so far on education sector is a result of **the cooperation between Ministry of Education and Sports (MOES) and Development Partners**. A number of ODA programs and projects implemented since 2016-2017 are guided by the ESDP 2016-2020 and the annual plan 2016-2017. There are key programs and projects operating in primary and secondary education level. Global Partnership for Education II and ECE project are contributing to improving access to and quality of primary education, especially in the remote districts. Basic Education Quality and Access in Lao PDR is a program funded by the Government of Australia which receives co-funding from the European Union. The Project for Improving Teaching and Learning Mathematics for Primary Education (iTEAM) is supported by JICA. The purpose of iTEAM is to enhance the quality of primary mathematics lessons through support for the development of the mathematics textbook, teacher guide and teaching/learning materials. The textbook focuses on a problem-solving approach. JICA also implemented the Knowledge Co Creation Program – a series of short term training courses in Japan targeting MOES officials. UNICEF supports a wide range of interventions contributing to the implementation of the ESDP. In partnership with the Lao Government, the Australian

Government together with UNICEF supported printing and distribution of a set of primary grades 3-5 textbooks during 2015/2016, and a joint support of UNICEF and DFAT printing of Grades 3-5 textbooks took place nation-wide to ensure the national 1:1 textbook policy and teacher guide and WASH. INGOs continue to support primary education across the country through implementing a number of interventions reaching the most disadvantaged areas. Together with the support of development partners, the Government provided investment to construct school and dormitory buildings and upgrade school facilities through the provision of equipment and laboratories. This will help create a better and more effective learning environment. JICA provides grant support for the construction of secondary schools in southern provinces as part of JICA supports package. ADB provides grant and loan to support the secondary sub-sector. The project provides support for school and student's dormitories construction, stipends for poor ethnic and female students to enable them to enroll and complete lower and upper secondary education.

41. In terms of **education financing**, challenges exist. For example, to ensure that the overarching goal, specific goals, targets and focus areas of the education and sports sector will be met, public investment needs to reach the sector budget requirement of 18% of the national budget allocation identified in the education law. However, due to the recent economic hardship, the requirement of 18% of the national budget allocation for the education and sports sector has not been met, but more efforts have been emphasized. In 2016-2017, the approved education budget allocation was 4,002.10 billion-kip equivalent to USD 488.06 Million (Lak 8,200 per USD1). The approved education budget share was 13.29% of the total government expenditure. The education budget allocations are as follows: 61.6% for recurrent budget (wages and allowances, fuel and others). 11.79% is for operating cost and equipment and only 4.51% is for investment. Although the education budget received for 2016-17 was less than that received in 2015-16 it is still over Lak 4,000 billion kip.

42. While the country has made various positive results, there are **some key challenges that have to be addressed**. Based on the state budget law: any reallocation of unspent amount of an expenditure category to another is not permitted (in case of unspent amount, particularly in chapters 60 and 61). The budget allocation is not aligned with the priorities of the education sector development, such as for teacher trainings, principal trainings and Pedagogical Advisor support. In addressing the challenges, the planning and budgeting committee that was recently established will work intensely together under their terms of references to allocate the budget that will be aligned with priorities and policies of the education sector for 2018. The planning and budging committee in collaboration with Development Partners will develop a calculation formula for budget allocation for DESBs. Budget allocations provided to line departments need to be aligned with their policies and priorities. The planning and budgeting committee will monitor and review budget proposals of each organization to determine if they are aligned with their policies and priorities prior to incorporating these into the budget proposal for the MoES budget plan.

#### **Output 4 – Universal Access to Quality Health Care Services**

43. Since the adoption of **the policy framework of the 8<sup>th</sup> Health Sector Development Plan (2016-2020)**, the Ministry of Health has made positive progress in various areas toward the sector indicators, especially the number of Mother and Child Health (MCH) mortalities which has been lower than the national set target. 2017 has witnessed implementation of health sector reforms in line with the 8<sup>th</sup> Health Sector Development Plan (2016-2020) and Sector Reform Framework to 2025. The focus is on various activities contributing to the achievement of sector outcomes in the five priority

areas: (i) Human resources for health; (ii) Health financing; (iii) Governance, organisation and management; (iv) Service delivery and hospital management; and (v) Health information system towards Universal Health Coverage by 2025.

44. Key progress toward the sector outcomes can be summarized as follows:

- *Human resources for health.* 75% of health centers currently have at least 1 midwife and 85% of health centers can provide normal delivery. A commitment has currently been made towards expanding the skills base, size and equitable distribution of health workforce particularly in district hospitals and health centers.
- *Health Financing.* To make greater progress toward attainment of UHC, the Government is highly committed to increase its spending on health services provision, particularly meeting the 9% target of budget allocation. Domestic revenue sources are the key to reduce the financial burden on households and the vulnerability associated with the uncertainty of external financing and external technical assistance. There is also a need to decrease reliance on out-of-pocket spending, increase domestic government health financing, and increase pooled and pre-paid financing. Currently, there have been discussions over creation of a plan to expand the coverage and financial protection for the poor and those in rural areas. The Government is also committed to not only ensuring an increase in the quantum of spending, but also to increase the efficiency and effectiveness of spending to achieve health outcomes while ensuring sustainability of financing for health.
- *Maternal and Child Health.* Some key figures include: Maternal Mortality Ratio at 206 per 100,000 live births; mortality rate amongst children under 5 year of age: 86 per 1000 live births and 57 per 1000 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 74%. Community-based approaches to improving nutritional status and management of children with pneumonia, diarrhea and others will help to improve the situation further.
- *Nutrition.* The latest Nutrition Survey showed that the ratio of child malnutrition (stunting-low height for age) was reduced to 36.5% in 2015 from 44% year 2011/12 and underweight is 25.5% in 2015 as reduced from 28% in 2011/12. The most recent updated data arising from the LSIS is imminent. Key measures to address food and nutrition security are highlighted in the previous section and well documented in the independent assessment carried out in 2016.
- *Clean water and latrine utilization.* The targets set out in the 8<sup>th</sup> NSEDP are still deemed to be mostly achievable, however there is a need to pay more attention on monitoring and further evaluation of the impact of improved sanitation. This will be done in close collaboration with local authorities and communities across the country.
- *Health Insurance Coverage.* Social health protection schemes have currently been expanding throughout the country. The coverage is about 71% of the total population for the newly introduced National Health Insurance Scheme (such in 2015 was only 32%).

## Output 5 – Improvement of and Access to Social Protection

45. A **social insurance system** is at an advanced stage of development to ensure that the rights and interest of workers and the poor are protected. 2017 marks a year of implementation of various initiatives and instruments. For instance, workshops/seminars across the country on the revised labor law were organized. Also, information is available on a law covering social security which was approved with a decree on increasing the minimum wage for the labor force working in business, production and service units (from 626,000 Kip/month to 900,000 Kip). A decree on social relief for the disabled is about to be finalized and submitted for approval. In addition, the Government with support from various partners is working on a coverage of social and health security, including for the disaster affected, elderly, and disabled. The Government has also paid considerable attention to key pending issues in the area of social welfare. Currently, there is a taskforce set up to look at how to make investment sufficient, predictable and sustained to improve the quality and access to quality social protection, including measures to address important issues related to the coverage and scope of pensions, as well as for health care service for the elderly, homeless and underprivileged. In addition, there is a consideration to carry out a proper analysis for establishing a mechanism to manage and protect child benefits and encouraging workers and people in all professions to contribute to the health insurance fund. Overall, the Government is fully aware that Universal social protection is important to protect human development gains from shocks and misfortunes. Therefore, the recommendations of the Assessment-Based National Dialogue on Social Protection carried out under the oversight of the Government's Drafting Committee for the National Social Protection Strategy are important to move forward with various activities.

## Output 6 – Protection of National Traditions and Cultures

46. 8<sup>th</sup> NSEP sets a number to targets to protect national traditions and cultures and a number of activities have been progressing in the right direction. In addition to the expansion of cultural families and model development villages, a number of national and provincial events, festivals, seminars and training were organized in order to advocate for adopting attitudes towards cultural and educational policies by stressing the cultural identity and the use of national language and mobilizing the people to take more active part in all cultural fields. On-going activities have been carried out as in previous years for preserving and revitalizing cultural heritage by integrating vernacular cultures - folk tales and folk songs, handicrafts and art, museums and archaeological sites - into every-day life; drawing upon innovation and eradicating inappropriate traditions; training competent staff in the field of culture and education; encouraging the area of cultural services (*e.g.*, participation in the art); and stimulating creativity.

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

47. As in previous years, efforts in 2017 focus on mobilizing, **improving coordination** between authorities at all levels and concerned agencies in **solving social drawbacks** that happened within family and society. There are activities at national and provincial levels to disseminate, encourage, and mobilize citizens to understand and follow the laws aiming at building strong family, village and towns. Following activities organized in previous years, the Government, including local authorities, security forces and mass organisations have put more efforts on combating social problems, especially through educating and campaigning, in order to raise awareness about the government policies, obligations, customs and social problems that currently threaten society. Special attention is on drugs, sex workers, robbery, gambling, HIV/AIDS, etc. As a result, social related problems seek

to be addressed in careful manners through local campaigns and many persuasive mechanisms. Efforts are also being made to increase societal awareness and enable people to be more responsible over addressing these problems themselves. Addressing issues facing youth development has also been a priority for the Government as reported in the previous section.

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

### **Output 1 – Environmental Protection and Sustainable Natural Resources Management**

*(The following texts under this section address discussion point of 2016 RTIM: Point 2: Green growth, Climate Change and Disaster Preparedness).*

48. Progress has been made in 2017 on the **National Land Use Planning (LUP) Process and Revision to the Land Law**. Key proposals for the new land law (2016-2017) are to: i) clarify between land classification and land use planning, ii) ensure that land use plans are both bottom-up and top-down, iii) exclude land ceilings for agricultural land, iv) introduce legally binding LUP that clarifies land ownership, and v) introduce LUP principles in the law. Recommendations to the Land Subsector Working Group are to approve and issue the LUP as a legally binding document and to simplify the system of Land Classification and Land Use Planning according to administrative levels: 1) Classification at National and District levels; and 2) Participatory Land Use Planning at Village level. Furthermore, it is suggested to enhance the legally binding character of LUP in the revision of the land law and include the clarification of land ownership during the LUP process. At this stage, the introduction to the National Assembly will take place by January 2018 and an adoption is planned by April 2018.

49. **Communal Land Registration and Titling**. At the end of 2016, a focus group was opened to work on a guideline for communal land registration and titling (CLRT). The current members are DaLAM, DoLA, GIZ, LIWG and MRLG. During this year, a draft of the CLRT guidelines was developed and discussed. Through the second half of 2017, the guidelines will be tested in two target villages, potentially in MRLG or GIZ project regions. Out of this, the draft guidelines will be improved and finalized and the proposal for the guidelines is intended to be handed in to Ministry of Natural Resource and Environment (MONRE) by December 2017.

50. **Land Concessions and Land Investments and Quality of Land Concessions**. The project Lao Decide Info financed by SDC deals with the inventory of land concessions and the quality of land concessions. The Land Concession Inventory includes 6 steps: i) gathering of concession data; ii) provincial consultations; iii) district-level participatory mapping of concession areas; iv) data integration into computer programs; v) final consultations at provincial level; and vi) finalization of maps. The data collection took place from 2014-2017, with the first maps being available now. A full report is expected in January 2018. Most of the concessions are given to Asian countries, such as China, Vietnam, Thailand, South Korea and Japan. The North is dominated by Chinese concessions, the South by Vietnamese concessions. Most of the deals and the area are given out for mining activities followed by forestry concessions. There are sometimes discrepancies between actual concession and final implementation area. For Quality of

Investments, to assess the quality of investments, a multi-stakeholder consultation process was used. One form was developed for government all agencies such as PAFO, PONRE and DONRE, and DoF. Another form was given to companies and two forms were developed for impacted villages, one for villages heads and one for households. Especially in the field of forestry concessions, most of the households said that they were not compensated for substantial land loss, while at the same time the loss of land for forestry concessions was the highest out of agriculture, forestry and mining concessions. Concerning EIA/ESIA/IEE (environmental impact assessment), at least 55% of the mining companies conducted an EIA, 42% of the forestry companies and 6% of the agriculture projects. Agriculture and Mining companies carried out the EIA before granting the concessions, while forestry concessions mostly were granted first and an EIA was done after the land was cleared (65%). Up till now, the quality assessment interviews have been finalized in the six provinces of the South and two pilot provinces of Luang Prabang and Xiengkhuang.

51. **Water sector.** A restructuring programme has been pursued. The Terms of Reference have been revised and there is an agreement on a TOR to include the Environment, Climate Change and Disaster Risk Reduction Subsector Working Group. Throughout the year, a number of meetings and consultations were organised to discuss national water management issues and priorities including regulations under the water and water resources law. With support from various partners, the following activities have been carried out: a revision of Lao Water and the Water Resources Law has been undertaken, the development of the Nam Ou River Basin Profile; a river basin management such as Nam Ngum, Sebangfai, Sebanghieng and piloting integrated river modelling on Nam Xong river basin. In addition, the Department of Water Resources is drafting the regulations and technical guidelines under the new updated law such as: river basin planning, groundwater management, wetland management, data and information sharing, water quality management, flood and drought and water protected areas. Contributing to the work in this area, MONRE have currently been developed the national groundwater resources management action plans 2016-2020 with valued support from Australia and ADB and its partners. For IWRM financing, it is included in the Presidential Ordinance 001, approved in December 2015. In order to support the implementation, a Water Resources Fund was established as a window within the Environmental Protection Fund. Furthermore, in cooperation with the National University of Laos, the IWRM course at Bachelor and Master Degree levels have been established at Faculty of Water Resources with support from key development partners. In addition to IWRM awareness, MONRE has established its first national IWRM demonstration site at Nam Po sub-watershed in Vangvieng District, Vientiane Province. At the provincial level, NRERI and Provincial Department of Natural Resources and Environment conducted water quality monitoring in 18 provinces in 180 stations covered 41 river basins, 54 sub-river basins and 21 tributaries of sub-river basins (3 months monitoring basis, focused on 4 main basic parameters – pH, DO, EC and Temperature). Of these, 11 stations have been monitored along Mekong mainstream.

52. In terms of **the Geology and Minerals Sector**, work has been on-going which include:

- *Draft of the Mineral Law* - A new draft of the Mineral Law has been provided. The revised Mineral Law was submitted to the National Assembly in the second half of 2017;
- *Geological Information for the Mineral Sector and Mapping* - the Geological Survey of Finland (GTK) conducted a survey on mineral resources and existing maps and mapping material in Lao PDR and also helped to develop mineral maps for some regions of the country and;

- *Development of a Mineral Sector Strategy Implementation Plan* - The World Bank HMTA project is supporting the Government with the establishment of a Mineral Sector Strategy implementation plan. Based on the 8th NSEDP, this implementation plan should comprise sector strategies, donor programs, and subsequent Ministries plans (and budgets) and donor financed activities. It should serve as a “blueprint” for the Government and DPs on how to develop a sustainable mineral sector. Furthermore, this plan can support MEM in donor coordination as this plan should provide an overview of - what has to be done (strategy) – what is going on (activities) – where do we need support (new donor, projects, activities).

53. **The Forestry Sector.** A number of activities start to kick off, for instance, development of forest management, protection and restoration plans for seven key protected areas across the country, establishment mechanisms and databases on mineral resources, and development of an environmental management plans at provincial and district levels. In terms of structure and administration, questions have arisen regarding the prospect of moving the Forestry Subsector Working Group back to the Ministry of Agriculture and Forestry. According to the 8<sup>th</sup> NSEDP, the monitoring for the forestry and also biodiversity indicators still lies with the MoNRE. There is a question on the monitoring which could be moved to MAF, or MoNRE could be appointed to monitor these indicators. If this is a case, there needs to be a system for communication and reporting between the ministries. A question is also on the Mineral Subsector Working Group being placed in the future as the Department of Minerals which has been moved to the Ministry of Mines. At the moment, the Mineral Subsector Working Group stays an Interim Member of the NRESWG until a decision is made on these issues.

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

*(The following texts under this section address discussion point of 2016 RTIM: Point 2: Green Growth, Climate Change and Disaster Preparedness).*

54. In terms of **administration, submission of ratification instrument of the Paris Agreement**, this was made during 2016 with support from UNDP. The Paris Agreement and ratification instrument should be introduced to the Lao Law to ensure that Lao PDR has the national framework for meeting international obligations. For the Sendai Framework for disaster risk reduction, the mandate will be shared between the Ministry of Welfare and MoNRE. DDMCC remaining the focal point.

55. Key highlights of on-going work include:

- *UNDP and MAF joint project proposal* to the Green Climate Fund (GCF) ‘Promoting climate resilient systems for improved food and nutrition security among the most vulnerable communities in Lao PDR-PIFAN’ - The goal of the project is to get the farmers of 6 provinces: Phongsali, LuangNamtha, Oudomxay, Houaphan, Savannakhet and Saravan organized to tackle the potential impact of climate change such as droughts and floods. Production systems are to be improved towards information on climate, adapted techniques, enhanced value chains for better access to markets and restored ecosystem services. Next steps will ensure alignment with the 8<sup>th</sup> NSEDP and contribution to SDGs, as well as prepare discussions with other sectors beyond this sector.
- *Disaster and Climate Change Law* - The draft law is currently reviewed by a high-level committee consisting of deputy ministers of 9 ministries and technical working groups of 17 ministries. The initial draft was developed in 2016. Since January 2017 different articles have been in the process of being validated and cleared one by one. As to next steps: The roadmap has to be adjusted to the process in

preparation for the meeting of the National Assembly in October. The law will also in the future be supported by UNDP, the Red Cross and ADB. The ToR between the two ministries of MoNRE and Ministry of Labour and Social Welfare (responsible for emergencies) will be clarified.

- *INDC Implementation, Road Map and INDC Project MoNRE* - The INDC project is an 18-months project being implemented by DDMCC and UNDP. The objective is to support the implementation of the Lao PDR contributions and strengthen the UNFCCC negotiation processes. The key milestone is the ratification of Paris Agreement. However, challenges remain and need to be addressed such as: i) limited number of suitable candidates to support the preparation of documents, ii) the process is under finalization, iii) coordination with line ministries and international organizations and partner, iv) limited budget, and v) tight schedule for implementation. In addition, INDC roadmap has been finalized but needs to be adjusted to the challenges and delays. Lao PDR was listed as a net emitter of greenhouse gases.

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

56. Lao PDR has developed and implemented a number of policies and strategies to ensure **national food self-sufficiency and agricultural production**. The chief instrument is the Agriculture Development Strategy to 2015 and Vision to 2030, the National Rice Production for National Food Security Strategy, Development Strategy of the Crop Section 2025 and Vision 2030. On-going work has been carried out in 2017 to support the Government's efforts to reduce the instability of agriculture production which will in turn ensure sustainable development and foster stable and continued economic growth. On-going priority work includes: expanding modern and effective agricultural production by applying advanced science and technology into primary production; providing production and technical services by promoting their use, researching rice and plant seeds and animal breeds, and experimenting with new technologies to upgrade productivity; building rice storage/warehouses to ensure food security in the event of natural disasters, food crisis and others; and establishing a risk reduction fund to help alleviate the burdens of production costs for farmers during agricultural product price fluctuations.

57. In terms of **coordination and management**, the SWG-ARD has undergone **major restructuring** this year, aligning with similar restructuring within the Ministry of Agriculture: adding a new SSWGs—Rural Development—and bringing the SSWG-Forestry back into ARD. The first of these has finalized its structure and TOR while the second has been active in supporting discussion of many issues in the forestry sector. The SSWGs Agro-biodiversity (ABD) and Farmers and Agri-business (FAB) remain active. The SWG membership approved a revised TOR which features the SDGs and the revised Vientiane Declaration. The SWG continues to be chaired by the MAF Deputy Minister and co-chaired by France and the FAO.

58. The SWG-ARD held **discussions on a variety of specific topics** that contribute to the RTIM proposed topics for special dialogue, including the following:

- *LDC graduation and SDG integration*: the SDG's have been integrated within the SWG objectives and reporting framework. The SWG meetings include frequent discussion of nutrition-sensitive agriculture, a major contribution of the sector towards realizing the criteria for LDC graduation.

- *Realizing quality private sector investment for development:* The Chair of the SWG has pushed this agenda to the front during discussion in both meetings, reflecting the importance and challenges. The various SSWG's also report on dialogue supporting improved approaches to promoting the quality of investment needed to realize national goals. Specific presentations deal with elements of the topic: contract farming, and agro-biodiversity and pesticide use. A number of civil society members of the SWG put together a publication, Voluntary Commitments for Responsible Agribusiness in Lao PDR, based on the OECD/FAO Guidance for Responsible Agriculture Supply Chains, published in 2016.
- *Investing in Skills for Human Development:* The SSWG-FAB has built a large discussion around involving youth in agriculture through improved opportunities for learning and applying advanced skills. The sector's World Food Day agenda included addressing migration through improved support for rural development and opportunities to engage more advanced technologies and modernization in rural areas, including agriculture and other sectors.

## Cross-Cutting Issues

### **Enhance Effectiveness of the Public Governance and Administration**

*(The following texts under this section address discussion point of 2016 RTIM: Point 9: Rule of Law State, Point 10: Universal Periodic Review, Point 11: Service Delivery at the Local Level and Point 13: Greater partnership with Civil Society).*

#### **Public Service Improvement**

##### **59. *Local Administration and Service delivery***

Updates to the Constitution and laws promulgated in 2016 were progressively applied during 2017. These updated laws have helped to clarify the roles and responsibilities amongst the offices of the Prime Minister, Deputy Prime Minister, Ministers and Heads of Ministry-equivalent organisation; and clarify further the mandates, roles and functions between levels of government and administration. These updates to the administrative framework and legal frameworks reflect government policies and the lessons learned from the pilot implementation Sam Sang pilot during 2012-2014. For Sam Sang and the District Development Fund (DDF), an update is highlighted under outcome 2 – output 1.

60. ***People's participation and representation:*** The NA continues to provide 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. The GSWG Thematic Workshop in September 2017 provided stakeholders from government, development partners, civil society, with an opportunity to discuss directly with a representative of the Vientiane Provincial People Assembly (PPA), on their mandate, responsibilities, experiences, achievement, and challenges to date.

61. People may also decide to participate in the approved Party mass-organisations (e.g. women, youth, trade union, etc) and formal business associations (e.g., Chamber of commerce, etc), interest groups, civil society, Non-Profit Associations (NPAs), the formal media and other forms of social communication. The amended Law on Local Administration is also aimed to promote a better functional relationship between provincial authorities and the NA Constituency Offices, and stronger collaboration with mass organizations and civil society to participate in the public-sector development. In terms of partnership with INGOs, a regular mechanism has been established to discuss the

implementation of INGO guidelines amongst INGOs, Development Partners (DPs) and Ministry of Foreign Affairs (MoFA) at the national and provincial levels. For NPAs, the Decree 115 on Associations marked an important step in the formal recognition of NPAs as partners in development. Some 152 Associations and 11 Foundations have since been officially registered. The ODA draft decree (No. 75) is at a final stage of development and the revised draft NPA decree (No. 238) has been signed, following a protracted process of consultations. Within the new Associations Decree 238, the process in setting up an NPA is more clearly defined; three categories of associations are defined; delegated approval given to various Ministries for those Associations that operate within their aegis; and MoHA to manage the Register for all types of Association; more clearly defined coordination mechanism amongst central ministries, ministries and local authorities. MoHA has been actively developing the necessary administrative and organizational capacities at all levels for management of civil society affairs. Guidelines on the implementation of the new Association decree have been developed and signed and will be applied in parallel with the coming into effective of new NPA decree.

### **Legal Sector/Rule of Law/UPR**

62. Important changes in the legal sector have been introduced following a Constitutional amendment and new/revised laws that approved by the NA in December 2015 and promulgated in 2016. Many of the activities envisaged under LSMP have been, or are in the process of being, implemented. Approximately 109 laws have been adopted by the NA. Courts and prosecutors' offices have been restructured or expanded with new offices. In addition, plans to establish an administrative court are underway and the Village Mediation Units (VMUs) have been established in most villages.

63. In terms of the codifying of the criminal and civil codes, remarkable progress has been made in 2017 including the adoption of the penal code;<sup>4</sup> the amendment of the law on lawyers;<sup>5</sup> the development of the legal aid and legal fund decrees;<sup>6</sup> the adoption of the law on treaty;<sup>7</sup> and the revision of the law on judgment enforcement.<sup>8</sup> These legislative developments are steadily moving forward the legal reform agenda in the country.

64. The legal aid decree was informed by the citizens' survey led by the Ministry of Justice (MoJ), which was the first in the justice sector. The survey has set a positive trend in recognising the need to have reliable and current data to draft pragmatic laws. Efforts have been made to expand nationwide coverage of legal aid services. The Lao Bar Association (LBA), which leads the amendment of the law on lawyers in Lao PDR, has continued its efforts to expand and strengthen the legal profession in country. There are now 3 regional provincial branches (Oudomxay for northern part, Vientiane province for central part and Champasack for southern part) and legal aid offices, including recently established in Savannakhet and Sekong provinces. Several administrative reforms including the restructuring of the internal administrative frame work of the Lao Bar Association have been completed to increase stronger accountability.

65. The database installed to monitor judgement enforcements and the pilot case management system are being introduced and expected to make delivery of justice services more efficient and effective once completed. The case management system (CMS), in

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<sup>4</sup>At the April 2017 NA session in April 2017.

<sup>5</sup>The Amended Law on lawyers was adopted at the NA Session Oct-Nov 2016. With final minor changes to be made. The law still needs to be promulgated.

<sup>6</sup>This is ongoing.

<sup>7</sup>Adopted at the last NA session. Minor changes to be made incorporating comments from MPs before the law is promulgated.

<sup>8</sup>The amendment work concerns many stakeholders therefore more time has been granted to complete the process, until 2018.

particular, is expected to reduce the time taken to transfer files from court houses from the sub-national level to the central level.

66. Following the completion of the 2<sup>nd</sup> Universal Periodical Review (UPR), the government has adopted 116 recommendations from a total of 196 recommendations. Lessons from the 1st UPR cycle reveal the need to have a well elaborated action plan to follow up on UPR implementation. MOFA is leading the finalization of the action plan for the implementation of the UPR recommendations. Stakeholders' consultations are ongoing, including the Sub-Sector Thematic Workshop on the updated status of the UPR action plan organised in July 2017 with various stakeholders including DPs, civil society and government officials under the framework of the Legal and Institutional Oversight SSWG to gather feedback and inputs on the action plan.

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

67. While the national budget for innovation, science, technology and telecommunications and ICT is still minimal, the Government has continued and put great efforts on various related activities on **how science can better support and advance social-economic development** in Lao PDR. During the course of the implementation of the 8<sup>th</sup> NSEDP, efforts are to an enforcement of a number of legislative actions which have been enacted to improve scientific innovation, such as the Law on Intellectual Property and associated implementation of trademarks, copyrights, and industrial patents. On-going work is making progress on a 'south-south' Cooperation Plan with the Ministry of Science and Technology of Viet Nam. Some other initiatives with neighboring countries and key partners in this area of work has also been carried out in order to bring advanced science and technology from overseas. The National Science and Technology Strategy 2013-2020 and Vision 2030 have also been developed and finalized. Moreover, the Law on Science and Technology has been completed and was presented to the National Assembly for approval. Some of key initiatives under discussions for further improving the contribution of science and technology to development include: making ICT work for education, private Sector partnership for ICT development, connecting rural communities and providing community access, using ICT to reach remote communities for health benefits and expanding rural health service access, linking research and farmers, connection rural communities and urban population through mobile phones and on-line early warning system.

### **Promote and Develop Women, Juveniles and Young People**

68. Lao PDR has a **sound legal framework to support gender equality and women's empowerment** including equality provisions in the Constitution and in a number of national laws such as the recent legislation entitled: The Law on the Development and Protection of Women, the Law on Preventing and Combating Violence Against Women and Children and the Law on the State Budget which includes gender budgeting. In recent years, the Government with support from various partners at all levels has been putting great efforts toward the enforcement of certain laws. The ultimate goal is to ensure that women across all spectrums of society enjoy the full benefit of equality under national laws despite of the persistence of traditional practices and increase awareness of their legal rights. The National Commission for the Advancement of Women and Mothers and Child (NCAWMC) and Lao Women Union have been playing an important role to develop and coordinate implementation of a national policy and action plan for women's advancement. The Lao Women's Union, one of four mass organizations operates through a network from central to village level. Lao Women's Union has been

implementing its Five-Year Development Plan (2016-2020) by taking different initiatives and organizing various activities related to the promotion and protection of the rights and interests of women and children such as gender, environmental protection, vocational training and promote women saving groups contributing to poverty reduction. A large number of external agencies and international nongovernment organizations continue to support projects targeting women and girls and increasingly incorporate gender analysis and gender equality goals in their general development assistance programs.

69. In term of **youth development**, Lao PDR has a young population, with 60% of its over 6 million inhabitants estimated to be under 25 years of age. Such a young population represents a unique opportunity from which the country could benefit. Therefore, the Government in recent decade and great efforts with support from various partners in recent years to pay great attention and increase more efforts and investments the areas of education, health, employment, protection and participation which will ensure that every young person's potential is fulfilled. In general, there is a positive policy environment for young people in Lao PDR, although some specific areas that require further development, for example, young people and alcohol consumption and places of entertainment. With recent development and challenges encountered, there is on-going discussion and a recommendation for a development of comprehensive national policy for young people in Lao PDR that makes the linkages between the different sectoral policies and laws that exist. The Government has also been working with authorities concerned to ensure that young people are aware of the laws and policies that both govern and protect them. Particularly, they need to know their rights in relation to health, education and employment. Without an awareness of the protections afforded them by law they are vulnerable to exploitation and abuse, and may not seek help from the authorities when appropriate. At the same time, duty bearers also need to know and understand the implications of existing laws and policies as these relate to young people. Investing in adolescent girls is an important task to support sustainable development. There have been joint campaigns over the years to increase knowledge on the adolescent girl's issues and diminish the obstacles to her development. In terms of programmes and projects supporting youth development, the trend is on the rise. However, a complete set of data on this is relatively limited, yet it is anticipated that this situation will improve over time. In particular, there is a general view that all policies, strategies and programmes should take into consideration the specific needs and requirements of young people, and when they are developed they need to be reviewed through a "young people's lens" and, to this end, ensure the participation of young people. In addition, youth development requires multi-sectoral collaboration as there need to be strong linkages between health, education, employment, protection and participation in contributing to the future of young people in Lao PDR.

70. In term of **illicit drug issues** in the Lao PDR, there are three problems that need to be addressed. 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.

## 2.2 Preparations for the 2018 Triennial LDC review, the Lao SDG roadmap and Lao first Voluntary National Review of progress towards the SDGs

*(The following texts under this section address discussion point of 2016 RTIM: Point 1: SDG integration and LDC graduation).*

### LDC Graduation

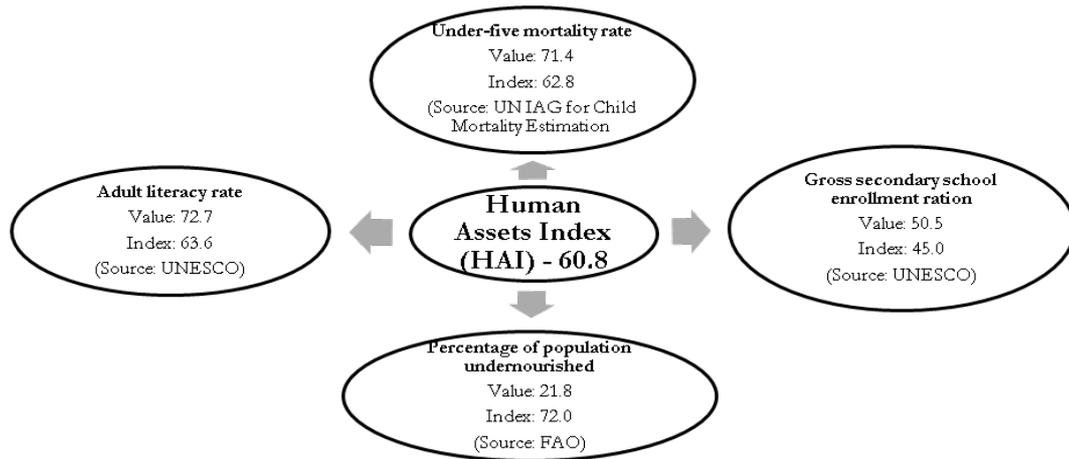
71. In March 2015, the CDP conducted its triennial review of LDC countries. Lao PDR’s three-year average (2011-2013) Gross Nation Income (GNI) per capita was roughly US\$1,232, about 99% of the threshold (US\$1,242). Its GNI per capita is projected to be substantially above the level in 2021, provided the threshold does not change significantly. As per Table 2, despite strong efforts, Lao PDR did not meet any of the graduation thresholds during that review, even though it came very close to the GNI threshold. However, given its progress since, and assuming these efforts are sustained, as projected by UNCTAD, it is likely that Lao PDR will meet the graduation thresholds for at least two criteria, if not all three at the 2018 triennial review. If so, the country would then need to still meet those same two criteria or more at the next review in 2021 to be recommended to ECOSOC for official graduation to be effective three years later, in 2024.

**Table 2 – Lao PDR’s position on the three criteria for LDG graduation as per the review in 2015**

LDC Graduation Criteria	2015 Inclusion Threshold	2015 Graduation Threshold	Lao PDR 2012 CPD Review	Lao PDR 2015 CPD Review	% of the LDC Graduation Threshold
GNI per capita	1,035	1,242 (Inclusion+20%)	1,460 (2013)	1,232	99%
HAI	60	66	61.4	60.8	92%
EVI	36	32	37.1	36.2	87%

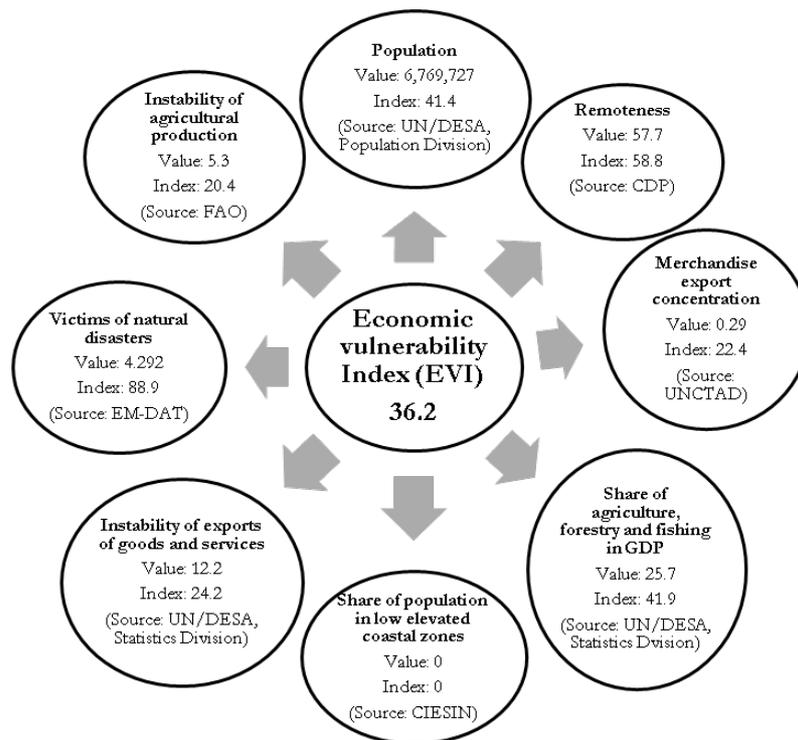
72. As for the Human Asset Index (HAI) and Economic Vulnerable Index (EVI), the figures presented under Table 1, are those from the last 2012 triennial review, when the country would not have met the 2015 eligibility threshold for graduation. In 2015, Lao PDR’s HAI value was about 92% of the LDC graduation threshold. An analysis of marginal contributions of individual components of the HAI (Figure 1) shows that a maximum increase in the HAI would occur if the nutritional status of the population were to increase, followed by an increase in the literacy rate, then an increase in secondary school enrolment and a reduction in Under-5 mortality rate. Another addition is on maternal mortality rate which needs to be reduced.

**Figure 1 – Lao PDR’s position on four aspects of the HAI as per the review in 2015**



73. An immediate attention is on reducing economic vulnerability. A decomposition analysis of the EVI (Figure 2) shows that economic diversification and reducing the exposure of the population to natural disasters are necessary for lowering the EVI value. Universal social protection is important to protect human development gains from shocks and misfortunes. A good starting point is to consider the recommendations of the Assessment-Based National Dialogue on Social Protection carried out under the oversight of the Government’s Drafting Committee for the National Social Protection Strategy.

**Figure 2 – Lao PDR’s position on fight aspects of EVI as per the review in 2015**



74. In any case, eligibility to graduation does not remove all vulnerabilities that make Lao PDR an LDC. Therefore, whether the country is eligible or not, it is very important to keep working on reinforcing all of those criteria in order for its vulnerabilities to be reduced, its development to be sustainable and LDC graduation to occur smoothly.

75. Preparation to transition is a long-term endeavour that needs great attention, which is why the inclusion of LDC graduation as the main objective of the 8<sup>th</sup> National Socio-Economic Plan of Lao PDR for the period 2016-2020 makes most sense. It will allow working towards sustainably and inclusively graduating from LDC status as a joint national effort in which all development partners will take part. As documented in the 5<sup>th</sup> Lao National Human Development Report launched early 2017 and the UNCTAD report, some of key matters that the Government will pay attention on are:

- *Economic implications of graduation* (external financing, trade preferences, Special and differential treatment);
- *Post-graduation challenges* (persistent commodity dependence, the risk of reversion, the middle-income trap); and
- *The post-graduation development paths of the past graduates* (external debt, Official Development Assistance and Foreign Direct Investment, economic diversification policies and poverty and inequality).

### **Update on the SDG integration and Preparation for the SDG review**

76. As the Government has now set up a National Steering Committee on SDGs, a National Secretariat and focal points in relevant ministries and institutions, based on the arrangement for MDGs, a national SDG roadmap has been currently drafted to elaborate next steps in achieving the 2030 Agenda, including timelines and milestones. This roadmap is a living document and will be updated periodically.

77. The SDG roadmap highlights different aspects as guided by the SDG monitoring guideline developed by the United Nations after the formal adoption of the SDGs. It consists of: i) Building awareness, ii) Multi-stakeholder consultation and dialogue, iii) Tailoring SDGs to local contexts, iv) Creating horizontal policy coherence, v) Creating vertical policy coherence, vi) Budgeting for the future and vii) Monitoring, reporting and accountability.

78. In order to ensure the implementation of this roadmap, the Government with support from DPs and other stakeholders will pay attention to:

- Strengthening of links between Agenda 2030 and 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> NSEDPs, with focus on transition and graduation from Least Developed Country status.
- Continued integration of SDG indicators into local and sectoral strategies and robust partnership with all stakeholders at all levels. Currently, there are over 230 indicators for Lao PDR (92 indicators are priority one which linked to the 8<sup>th</sup> NSEDP Monitoring and Evaluation Framework and the rest are those necessary supporting indicators which need to be further integrated into the remaining period of the 8<sup>th</sup> NSEDP and the 9<sup>th</sup> and 10<sup>th</sup> NSEDP).
- Continued promotion of inter-sectoral collaboration, inter alia through the Round Table Process - forming/strengthening issue-based coalitions to address critical issues affecting a number of SDGs, e.g. on Food and nutrition security (SDG 2), which will accelerate the SDGs on poverty, health and education, and help to achieve LDC graduation; and on adolescent girls: addressing early marriages, adolescent girls' education, health and nutrition will contribute towards many SDGs.
- Strengthening of the institutional arrangements for SDG implementation, in particular the SDG Secretariat, with Ministry of Foreign Affairs, Ministry of Planning and Investment and Lao Statistics Bureau as main institutions. Further strengthening of partnership across sectoral line ministries, provinces and agencies, in particular clearer roles and responsibilities of SDG focal points.

- Clear definition of roles, responsibilities and accountabilities for each NSEDP and SDG target and indicator.
- Financial and capacity support to local authorities to integrate sustainability criteria and agenda into their work using existing mechanisms such as the Sam Sang directive.
- Standardized construction (Standardization) of national indicators and data collection to ensure proper assessment of results and outcomes (rather different methodologies and processes).
- Developing and adapting SDG financing strategies to the country context. It is not just about what kind of finance, and how much finance may be available, but about how it can be used most effectively to achieve SDGs and development outcomes over the long run. Therefore, the use of expenditure and financial frameworks needs to be enhanced to ensure best planning of resources against results. In this regard, there is a need to think about transforming national budgeting processes to support the results-based nature of the SDGs, for instance, considering all sources of financing, enhancing domestic resource mobilization including through improvement of private sector environment, strengthening of public financial management and reform of tax and revenue collection, applying outcome-based and participatory budgeting, promoting the integration of specific issue areas into fiscal budgets.
- Public awareness and communication strategy for SDG implementation are important for ensuring greater support and partnerships which are essential for the SDG realization. Therefore, it is important to promote common awareness of the Agenda 2030 and national priorities not only at national level but also local level.

79. For the SDG Voluntary Report, the Government has formally registered with the United Nations for voluntary review during 2018 High-Level Political Forum (HLPF) under the auspices of the UN Economic and Social Council. The preparation of the SDG Voluntary Report will be government-led, involving ministerial and other relevant high-level participants. The preparation process will provide a platform for partnerships, including through the participation of national and international stakeholders and other relevant partners at all levels. The work plan and an outline of the 2018 SDG Voluntary Report has been documented and shared with partners during the pre-consultation on SDG integration and LDC graduation on 10<sup>th</sup> November 2017 before the RTIM.

### **2.3 Update on the implementation of the Vientiane Declaration on Partnership for Effective Development Cooperation**

*(The following texts under this section address discussion point of 2016 RTIM: Point 4: Implementation of the Vientiane Declaration on Partnership for Effective Development Cooperation – Country Action Plan 2016-2025).*

80. Adoption of the Vientiane Declaration on Partnership for Effective Development Cooperation in 2015 during the 12<sup>th</sup> HL RTM and its Country Action Plan (VDCAP 2016-2025) during 2016 RTIM signaled a shift from traditional ODA towards more diverse partnerships, and towards a more comprehensive and inclusive range of development financing and resourcing options. Since the VDCAP adoption, a number of key activities have been carried out in 2017.

81. The Government has been working on a VDCAP monitoring framework which will support the national accountability for making progress in the implementation of 14 commitments/actions highlighted in the VDCAP (2016-2025). Indicators and targets are formed to ensure that all stakeholders work together to advance partnerships for effective

development cooperation in Lao PDR. This VDCAP monitoring framework's aim is not to monitor development outcomes, but it places emphasis on behaviour change in development co-operation efforts, which is in turn expected to contribute to the achievement of results as defined in the 8<sup>th</sup> NSEDP including the LDC graduation and Sustainable Development Goals and beyond. Similar to the global monitoring framework on effective development cooperation, participation in the VDCAP monitoring efforts is important to provide evidence of progress and signal opportunities as well as obstacles for further progress. The expectation is to launch a national monitoring exercise at the beginning of the 2018 which coincides with the third global survey on the global partnership for effective development cooperation (for more detailed information about this, please refer to the draft VDCAP monitoring framework circulated at the 2017 RTIM). To help clarify and further enhance national roles and responsibilities of national counterparts in light of the changing landscape of development cooperation in Lao PDR, the Government has been in the process of revising the Prime Minister Decree No. 75 on ODA management in accordance to changes of authority arrangements. Through various consultations at national and provincial levels (particularly, three regional workshops: one in the North, one in the South and another at Central level) and with DPs, private sectors, INGOs and NPAs, the current draft of the revision has been available and subjected to further reviews for finalization in due course.

82. While statistical updates on the progress of the 14 action areas of the VDCAP will be available after the 2018 VDCAP monitoring exercise, the following information highlights progress on each principle of the Vientiane Declaration on Partnership for Effective Development Cooperation.

- *Ownership and alignment.* The Government has now finalized and published the 8<sup>th</sup> NSEDP M&E framework during the last quarter of 2016 which has been used as a reference by national and international partners to guide monitoring and reporting on sectoral progress and the implementation of the RTM/RTIM key policy recommendations. Over 60% of 8<sup>th</sup> NSEDP indicators classified in line with the LDC criteria are directly linked to SDGs. A plan for capacity development at national, sectoral and provincial levels on result based management (RBM) is currently in a process of development and actual capacity development activities will take place sometimes in 2018. Use of country systems is a matter that needs greater attention in light of the current work on public financial management reform which has been supported by key development partners in the country.
- *Harmonisation and Simplification.* A guideline for application of Programme Based Approach (PBA) has been documented and shared with partners. At the same time, increased number of partners are now moving toward the implementation of joint programmes such as EU Joint Programming, UN Partnership Framework (UNFP), joint ADB-WB portfolio review and others.
- *Inclusive Partnership for Development Results.* The regulatory framework for both INGOs and NPAs has been gradually strengthened as highlighted earlier. In addition, an independent review and assessment of the Round Table Process was undertaken in 2016 alongside efforts to materialize key recommendations of the review. These include increasing participation of INGOs, NPAs and the private sector in the Round Table Process and Sector Working Groups.
- *Transparency, Predictability and Mutual Accountability.* Discussions have been made to plan for the development of a national database on ODA based on the Aid Management Platform (AMP) experience. Work on creating a linkage between budgetary and planning processes has been progressing as reported earlier within the framework of Vision to 2030 and the Public Finance Development Strategy to 2025 “Building Strong, Transparent, Fair, Modern Public Finances in line with

International Standards”. In terms of reporting on national outcomes, as highlighted in the previous section, the Government has registered itself for the SDG Voluntary National Report which will be presented at the 2018 High Level Political Forum on SDGs. Lao PDR has also prepared itself for the LDC review in 2018 which will determine the country eligibility. National data will be used for these two reviews.

- *Domestic Resource Mobilization.* There is an on-going discussion over a mechanism to quantify government contribution (percentage) for development activities funded by providers of development cooperation. However, a plan on this work will be developed at a later stage.
- *South-South Cooperation, Triangular Cooperation and Knowledge Sharing.* This topic has been selected as one of the four key areas for policy dialogue at the RTIM. RTIM pre-consultation organized on 7<sup>th</sup> November 2017 generated key recommendations for further enhancing work on this area, particularly, on institutional arrangements and monitoring.
- *Business as a Partners in Development.* One of the key four areas for policy dialogue at the RTIM is on the contribution of private sector and its quality. Various recommendations and suggestions have been made during RTIM pre-consultation organized on 3<sup>rd</sup> November 2017. There has also been an attempt to create a better link between the Round Table Process and Lao Business Forum (LBF). In particular, a report on the implementation of the LBF recommendations has been made during the pre-consultation and it will be highlighted again during the RTIM panel discussion.

### **III. Conclusion – Challenges, Opportunities and Priorities Going Forward**

83. A number of activities, measures and actions have been carried out in 2017 contributing to the achievement of the 8<sup>th</sup> NSEDP outputs and outcomes. The midterm review of the 8<sup>th</sup> NSEDP will be carried out in 2018 and will provide the barometer readout on where the country is on progress towards the plan’s targets and objectives and identify areas for further intensive actions. Throughout the course of the 8<sup>th</sup> NSEDP implementation, the Government of Lao PDR has been consistently committed to:

- Stimulating the non-resource sector and making the private sector a cornerstone of future development;
- Focusing on growth of small and medium-sized enterprises (SMEs) in order to obtain a broader base for growth, as well as the employment effects associated in particular with the growth of established SMEs;
- Overcoming shortages of entrepreneurial and technical skills, addressing market failures in agricultural and enterprise financing, and significantly improving the business environment;
- Welcoming the stimulus to competitiveness that will come from the ASEAN Economic Community after 2015, as Lao PDR’s domestic private sector is forced to compete in a single market in a highly competitive economic region;
- Continuing to support infrastructure development given the beneficial effects on enterprise and human development, principally through access of families, farms and firms in the periphery to opportunities in business, economic, social, and cultural centres;
- Welcoming the productivity and growth stimulus provided by inter-regional, rural-urban and international labour mobility and, accordingly, strengthening

human capital through training, such that the population can take up new opportunities as the economy transforms; and

- Continuing to build social capital through improved health and education services throughout the country.

84. In light of the preparation for the SDG Voluntary National Review report, the LDC upcoming review, a national monitoring exercise of the Vientiane Partnership for Effective Development Cooperation and others, for the coming year 2018, key priorities of our Government which will be focusing on:

- Ensuring political stability, peace and social order to creating a favourable conditions for development;
- Ensuring continuation of national economic growth with peace, stability and sustainability;
- Human resource development, focusing on the improvement of education and health service quality and quantity, developing labour skill that is fundamental to achieve SDGs and the LDC graduation;
- Promoting “Visit Laos Year 2018”, becoming a national agenda, to drive economic growth with protection and advertisement of national historical, natural and traditional cultural tourism resources;
- Rural development and poverty eradication through implementation of the 3-builds directive;
- Promoting investment in commercial production and export to strongly promote domestic and foreign investment policies, focusing on strengthening SMEs production;
- Increasing effectiveness, simplicity, justice and transparency of public administration and local authority through enhancing the rule of law mechanism;
- Environment protection and natural resources are effectively protected and utilized according to sustainable principles; and
- Implementing policy on increasing regional and international cooperation and integration.

## Annex 1: Summary of key RTM/RTIM discussion points/recommendations

A link between 2015 HL RTM and 2016 RTIM key discussion points

2015 HL RTM – key discussion points/recommendations	Direct Joint Platform for M&E (Government + Development Partners and other stakeholders)		2016 RTIM – key discussion points/recommendation
	SWG & related mechanisms	RTM/ RTIM	
<b>Focus Area I – Macroeconomic Management and Inclusive and Sustainable Growth</b>			
1. The 8 <sup>th</sup> NSEDP		√	<ul style="list-style-type: none"> <li>Annual progress report presented</li> <li>Discussion Point 5 highlights issues on risks and vulnerabilities</li> <li>Discussion Point 12 calls for public private partnership</li> <li>Discussion Point 15 stresses gender equality and women’s empowerment in all actions</li> </ul>
2. Enabling inclusive and sustainability growth	Note <sup>9</sup>	√	<ul style="list-style-type: none"> <li>Discussion Point 7 highlights the important of quality growth</li> <li>Discussion Point 8 stresses the importance of investment and trade</li> </ul>
3. Enhancing Macro-Economic Management	Macroeconomic Working Group		<ul style="list-style-type: none"> <li>Discussion Point 6 stresses the importance of revenue generation</li> </ul>
4. Agriculture	Agriculture and Rural Development SWG		
5. Increased Investment to Priority Sectors	Infrastructure; Education; Health; Trade and Private Sector; Agriculture and Rural Development		
<b>Focus Area II – Social Sector and Human Development</b>			
6. From MDGs to SDGs		√	<ul style="list-style-type: none"> <li>One of the key four themes.</li> <li>Discussion Point 1 identifies 8 key action areas for integrating and implementing the SDGs</li> </ul>
7. Food and Nutrition Security		√	<ul style="list-style-type: none"> <li>One of the key four themes</li> <li>Discussion point 3 identifies 9 key action areas for food and nutrition security</li> </ul>
8. Access to Quality Education and Health	Education SWG and Health SWG		
<b>Focus Area III – Green Growth, Environmental Sustainability, Climate Change and Disaster Management</b>			
9. Environmental Sustainability	Natural Resource and Environment SWG		<ul style="list-style-type: none"> <li>One of the key four themes.</li> <li>Discussion Point 2 identifies 7 key action areas for green growth, climate</li> </ul>

<sup>9</sup> Enabling inclusive and sustainability growth is linked to various sectors across development spectrum. Current actions identified in 2015 by all stakeholder are relevant to SWG: Trade and Private Sector, Education, Natural Resource and Environment, Macroeconomic, and infrastructure.

2015 HL RTM – key discussion points/recommendations	Direct Joint Platform for M&E (Government + Development Partners and other stakeholders)		2016 RTIM – key discussion points/recommendation
	SWG & related mechanisms	RTM/ RTIM	
			change and disaster preparedness
<b>Focused Area IV – Cross Cutting Matters and Development Effectiveness</b>			
10. Vientiane Declaration on Partnership for Effective Development Cooperation		√	<ul style="list-style-type: none"> <li>• One of the key four themes</li> <li>• Discussion Point 4 identifies 9 key action areas for the VDCAP implementation</li> </ul>
11. Good Governance	Governance SWG		<ul style="list-style-type: none"> <li>• Discussion Point 9 highlights rule of law state</li> <li>• Discussion Point 10 stresses Universal Periodic Review</li> <li>• Discussion Point 11 highlights services delivery at the local level</li> </ul>
12. Space for Civil Society	Governance SWG		<ul style="list-style-type: none"> <li>• Discussion Point 13 calls for greater partnership with civil society</li> </ul>
13. Illicit Drugs and Other Related Issues	Illicit Drug Control SWG		
14. The special case of UXO	UXO SWG		<ul style="list-style-type: none"> <li>• Discussion Point 14 reiterates the importance of addressing UXO problems</li> </ul>