

# **National Socio Economic Development Plan - Plan 2018's 9 Month Implementation and Plan 2019**

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# **National Socio Economic Development Plan 2018 The 9 Month Implementation**

# Overview

- Conflict between large economies has been directly and indirectly affected the political, economic, trade, financial, regional and economic development in Lao PDR in terms of increasing oil prices that affected cost of production, transportation and cost of living in many countries.
- Lao PDR is still struggling with financial and budget constraints and also facing severe natural disasters.
- The Lao government has been focusing on addressing disaster impacts in all areas and has taken measures to manage macroeconomic, manufacturing and services to be carried out in a regular manner.

# *Economic Growth*

Lao PDR's GDP is expected to grow slower due to the impact of natural disasters.

	<u>Projected</u>	<u>Target 2018</u>
<b>GDP Growth</b>	<b>6.5%</b>	<b>7%</b>
Agriculture	2.5%	2.8%
Industry	7.7%	9.1%
Service	7.6%	6.4%
<b>GDP per capita</b>	<b>USD2,599</b>	<b>USD2,536</b>
<b>GNI</b>	<b>USD2,055</b>	<b>USD2,004</b>

Sectors that contributed to growth:

- Construction
- Whole-sale

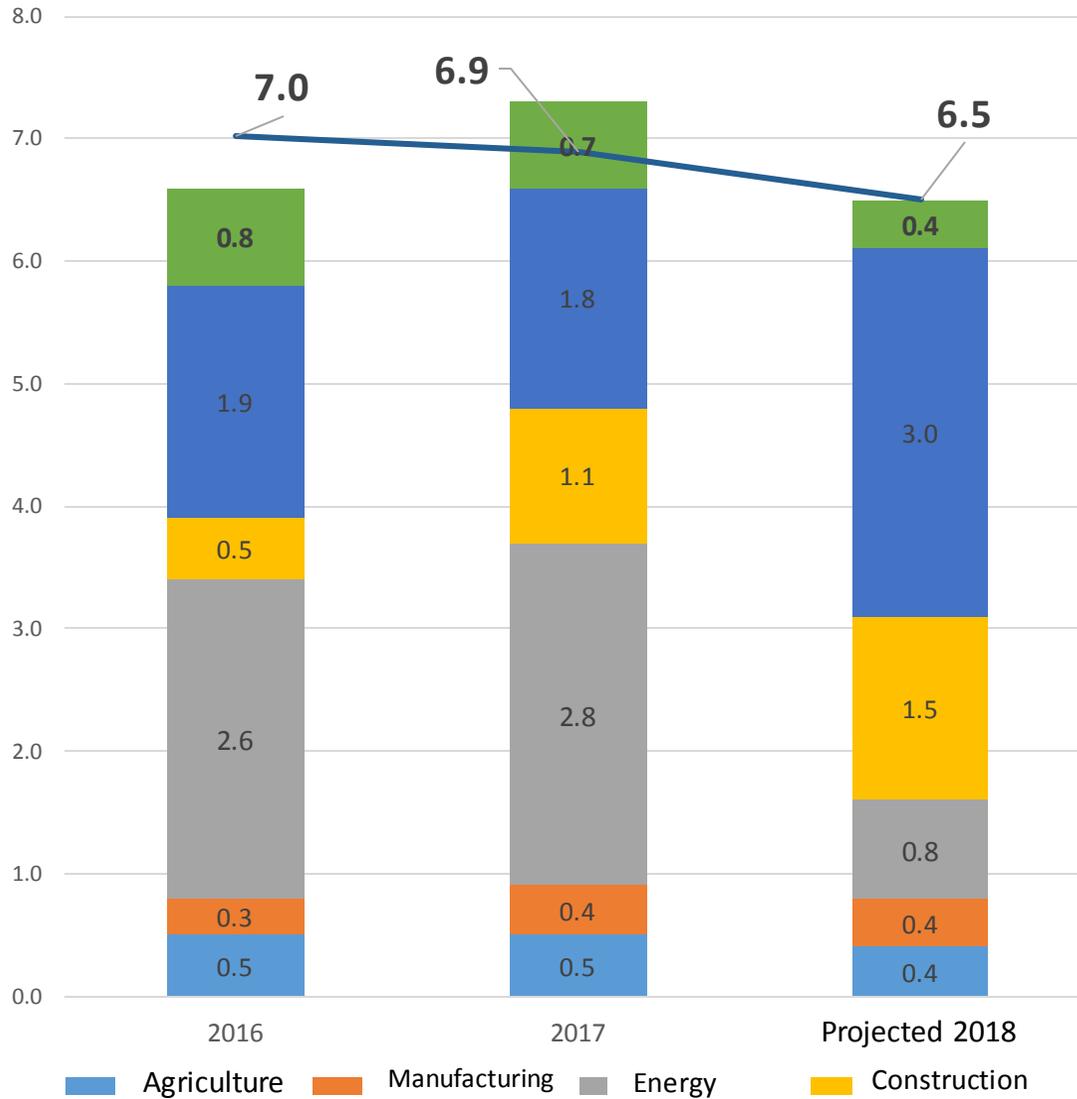
Sectors that are expected to grow below target:

- Agriculture
- Mining
- Tourism

# *Real Sector:*

	<u>Implemented</u>	<u>Whole Year estimate</u>	<u>Target 2018</u>
<b>Rice production (Million ton)</b>		3.6 (85.71%)	4.2
<b>Manufacturing and handicrafts (billion kip)</b>	4,980 (51.79%)	9,614	9,614
<b>Generation of electricity (Million kilowatt hours)</b>	16,095 (50.77%)	32,489	31,700
<b>Minerals production (billion kip)</b>	5,816 (49%)	11,320	11,868
<b>Number of tourists</b>	2,126,730 (42.53%)	3,900,000	5,000,000

# Contribution to Growth



Sectors contribute to GDP Growth 6.5%:

- Service sector remains the most contribution to growth (3%)
- Construction sector (1.5%)
- Power sector (0.8%)

■ Agriculture    ■ Manufacturing    ■ Energy    ■ Construction  
■ Service    ■ Import Duties    — GDP Growth

# *Total Investment*

	<u>Implemented (6 month)</u>	<u>Target 2018</u>
Government Budget (9 months)	2,574 billion Kip(55.9%)	4,600 billion Kip
ODA	4,861.02 billion Kip (60.37%)	8,052 billion Kip
Domestic and Foreign Investment (Actual capital)	1,555.29 billion Kip (75.02%) 5,284.61 billion Kip	2,073 billion Kip
Banking Sector (8 month)	3,135.46 billion Kip (35.78%)	8,763 billion Kip
<b>Total Investment</b>	<b>12,125.77 billion Kip (51.62%)</b>	<b>23,488 billion Kip</b>

In 2018, the government allocate **100 billion** kip for natural disaster emergency relief

# Budget:

	<u>Implemented (9 month)</u>	<u>Whole year estimate</u>	<u>Target 2018</u>
Revenue (billion kip)	17,063.86 (67.04%)	25,496.15 (100.2%)	25,452
Expenditure (billion kip)	22,363.61 (68.16%)	32,92.74 (99.6%) 7,196.59	32,809
Deficit (billion kip)	5,299.75	(4.72% of GDP )	7,359.41 (4.92% of GDP)

**( Ministry of Finance will explain in details)**

# Monetary:

	<u>Implemented</u>	<u>Plan 2018</u>
<b>Inflation</b> (9 months average)	2.22%	< 5%
<b>Exchange Rate</b> (August 2018)		
Kip/USD depreciate	3.71%	±5%
Kip/Baht depreciate	3.17%	
<b>Foreign Reserve by months of imports</b> (August 2018)	3.1 months	> 5 months
<b>M<sub>2</sub></b> (August 2018)	10.33%	< 25%

# Import-Export:

<b>Export</b> (September 2018)	USD 3,915 million (78.06%)	USD 5,015 million
<b>Import</b> (September 2018)	USD 4,123 million (82.82%)	USD 4,978 million
<b>Trade Balance</b>	USD -138 million	USD 37 million

# *Social Development*

## Implemented

## Plan 2018

### Survival Rate

Primary	82.2%	84%
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Lower secondary	83.1%	85%
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Upper secondary	53.3%	54%
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Maternal mortality/100,000	206	175
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Under 5 underweight (%)	21.1%	21%
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Supply labor domestically and internationally	53,822 (37.57%)	143,230
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Number of reduced household poverty	5,179	4,833
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# *Key Challenges*

1. GDP growth decelerated and projected to grow below the planned target.
2. Revenue collection fell below the target leading to widen fiscal deficit and putting pressure on economic development.
3. Production's productivity remains low and still widely use of traditional production system resulting in slow growth of commercial production for processing industry.
4. SME's production capacity and competitiveness remain low.

# *Key Challenges*

5. Services sector, particularly transportation, retail and whole sale, tourism, is still weak and not systematic which hindering contribution of the sector in the economic growth and thus, lower revenue generation than anticipated.
6. Human resources development has been improved both quality and quantity but still cannot meet demand.
7. Enforcement of laws toward public governance and social management is not yet strict, coordination and monitoring is not yet systematic.

# **National Socio-Economic Development Plan 2019**

# Targets

## Macroeconomic

	<u>GDP Growth</u>	<u>Shared of GDP</u>
❖ <b>GDP</b>	6.7%	
Agriculture	2.8%	15.28%
Industry	8.3%	32.18%
Service	6.6%	41.70%
Import Duties	7%	10.83%
❖ <b>GDP Value</b>	165,475 billion kip	
❖ <b>GDP per capita</b>	USD 2,726	

# Targets

## ❖ Budget

Revenue	26,455.29 billion kip
Expenditure	33,434.07 billion kip
Deficit	< 6,978.87 billion kip or 4.22% of GDP

## ❖ Monetary

Inflation	3-5% per year
M2	< 20%
Foreign Reserve (months of import)	> 3 months
NPL	< 3%

# Targets

## ❖ Import and Export

Export	USD 5,516 million
Import	USD 5,476 million
Trade surplus	USD 40 million

## ❖ Total Investment

	<u>Value</u>	<u>%</u>
<b>Total</b>	<b>44,347 billion Kip</b>	<b>27% of GDP</b>
Government Budget	4,240 billion Kip	9% of total investment
ODA	7,113 billion Kip	16% of total investment
Domestic and foreign investment	23,206 billion Kip	52% of total investment
Banking sector	9,788 billion Kip	22% of total investment

# Targets

## ❖ Real Sectors:

Rice Production	4.4 million ton
Manufacturing and handicraft	10,236 billion kip
Good circulation	64,375 billion kip
Electricity Generation	36.131 million kwh
Mineral Production	11,680 billion kip
Number of tourists	5.2 million

# Targets

## ❖ Social Development:

Net primary enrolment rate	99%
Primary school survival rate	84%
Lower secondary enrolment rate	84%
Upper secondary enrolment rate	56%
Infant mortality rate	34/1000
Maternal mortality rate	167/100.000
Clean water usage	89%
Poverty reduction	4,833 households, 220 villages and 2 districts

# *Policies and Measures:*

1. Continue implementing 8 economic supporting measures.
2. Boost Economic Growth:
  - Agriculture:
    - Reconstruct basic agricultural infrastructure that affected by natural disasters in 2018.
    - Improve methods and measures to be more comprehensive in order to increase productivity and quality of commercial production by eliminating production and service barriers; providing technical advices, animal/plant varieties, and essential items.
    - Continue implementing the projects on food security, commercial production, and product model in a concrete manner.
    - Improve the funding system for agricultural production

# *Policies and Measures*

## ❑ Industry:

- Develop economic infrastructure by investing in power sector, mining, express way, etc. to drive economic growth.
- Implement SME development projects to built production models and SME competitiveness. Develop SME Fund to provide credit for SMEs.
- Create facilities and services to attract more investment in special economic zones.

## ❑ Services

- Advertise and develop tourism by focusing on quality services, historical tourism, culture and natural tourism. Prepare Visit Lao-China Year 2019.
- Improve coordination among related sectors to ensure safety and convenient for tourism.

# **Policies and Measures:**

3. Intensively improve mechanism of revenue collection and expenditure management to be more effective and modernized while encouraging the enterprises to hold bank accounts and pay relevant fees electronically.
4. Pay attention to the management of the exchange rate, inflation rate, prices of oil and consumer goods as well as further promoting production and consumption of local products
5. Increase foreign currency sources of revenue to improve foreign reserves by focusing on exports, mega investment projects as well as improving the mechanisms and measures concerned to promote foreign investment.
6. Prioritize public investment projects in a prudential manner with focal areas based on necessity in order to ensure limited resources are used in the most effective and efficient manner.

## *Policies and Measures:*

7. Supply labor force quantitatively and qualitatively by ensuring consistency with the demand, create a mechanism for involving the business operators in technology transfer to students at vocational institution and local work force in Lao PDR.
8. Improve and expand social protection network to all including health insurance, etc. especially for those at high risk toward poverty and disaster impact
9. Actively continue implementing Order No. 02/PM to improve investment service mechanism.