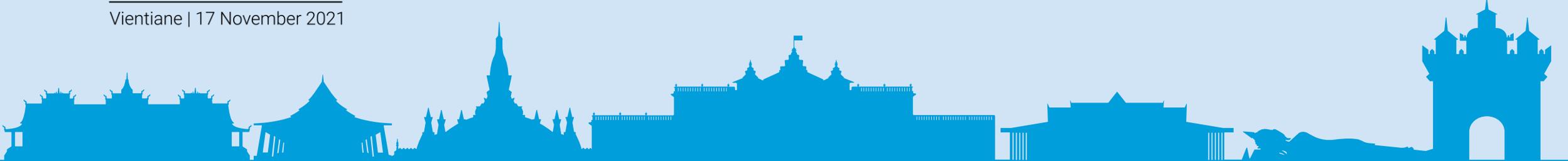




**13TH HIGH-LEVEL
ROUND TABLE MEETING**

Vientiane | 17 November 2021



COVID-19 Recovery Plan Technical Consultation

High-Level Round Table Pre-Consultation, 27th
October 2021

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01

**Financing for Sustainable Development
and Effective Development Cooperation
(Macro-Fiscal Framework)**

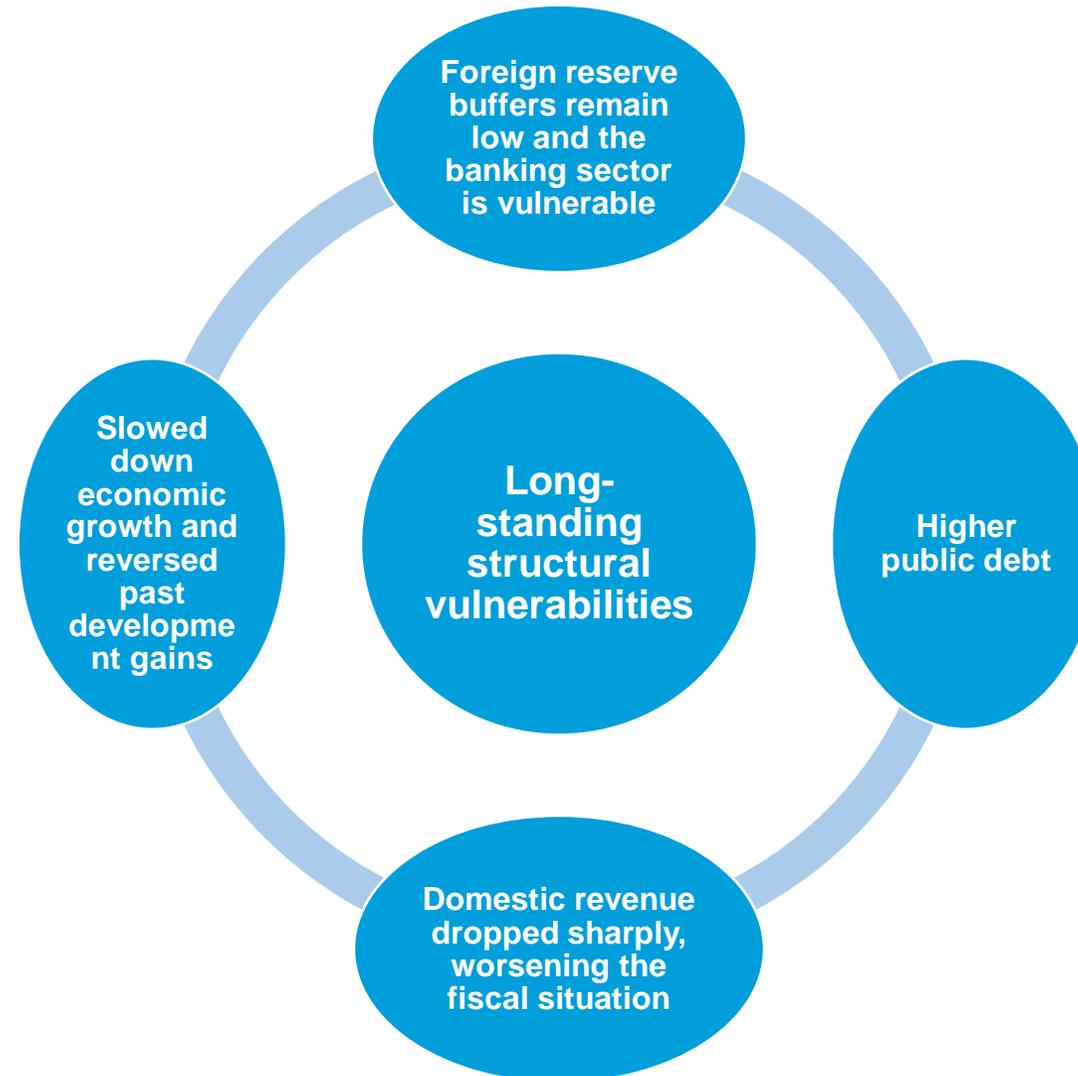
1.1: Macroeconomic stability is critical to the achievement of sustainable and balanced economic development in Lao PDR

Core Development Agendas

- 9th NSEDP (1st Outcome and 1st -5th Outputs)
- 8th, 9th and 12th SDG
- National Agenda (recently endorsed by NA)



1.2: Key impacts and risk of COVID-19 on the workstream



1.3: Outlook and Risks

External risks

- Slower-than-projected growth in key trading partners
- Delays in vaccination rollout in the EAP region and in western countries that are critical to revived international tourism and foreign investment

Domestic risks

- Potential prolonged community outbreak if the increasing number of COVID-19 cases in the country is not well managed, and extended lockdown measures
- A weaker-than-anticipated economic recovery
- A deterioration in the financial status of EDL, leading to higher debt burdens on the government
- Prolonged implementation of credit forbearance policies
- Slippages in doing business and trade facilitation reforms

1.4: Implemented measures and lessons learned

COVID-19 response measures to support affected businesses and households include:

- Tax deferrals and exemptions for affected businesses;
- Lending to MSMEs to provide additional liquidity;
- Cash transfers to affected workers through existing social welfare systems; and
- Deferral of loan repayments.

Other reforms:

- PFM and tax reforms to improve revenue and expenditure management;
- Debt Management and transparency;
- SOEs reforms/privatization to reduce fiscal risks and raise revenue;
- Financial sector legal and regulatory framework and banking supervision;

1.4: ... Key lessons learned

- Despite various actions taken, the reform outcome remain limited;
- Reforms take a long time to implement, and expectations need to be managed;
- Consideration should be given towards the sustainability of reforms;

1.5: Synergies and trade-offs between the workstreams

With macro-fiscal challenges and limited fiscal space it is critical to :

- Clearly define and prioritize the development priorities of the 9th NSEDP; and
- Align them closely with the available budget envelop.

1.6: Key mitigation measures and policy recommendations

To restore macroeconomic stability the immediate priority would include:

- Manage debt in a more sustainable and transparent manner;
- Strengthen fiscal sustainability; and
- Reduce financial sector vulnerabilities.
- In parallel, it would be important to ensure that the COVID pandemic is contained and that the vaccination campaign is on track to prepare for the gradual reopening of borders for travel.

1.6: Key mitigation measures and policy recommendations (continued)

Priority 1: Debt Management and Transparency:

- Restructure public debt
- Limit non-concessional borrowing
- Restructure and privatize loss-making SOEs

Priority 2: Fiscal Sustainability:

- Strengthen monitoring and management of large taxpayers including capacity building;
- Expand coverage of taxpayers in the TaxRIS electronic payments system;
- Enhance audit and enforcement;
- Conduct a tax expenditure study;

Priority 3: Financial Sector Stability

- Increase FOREX liquidity and reserve buffers
- Intensify monitoring of commercial bank performance,
- Unwind forbearance policies in a prudent manner
- Finalize secondary regulations for the commercial banking law



02

Trade and Private Sector, Value Chains, and Tourism

Content

Trade and Private Sector, Value Chains, and Tourism

01

Current Status

02

Recommendations

Trade and investment impacts

Hard-hit sectors identified primarily in labor-intensive industries with globally interconnected value chains.

Tourism

- Since 2020, COVID-19 has paralyzed tourism with a decline of 80%. About 130,000 jobs were lost. The tourism industry's revenue loss is estimated at 1,4 billion US dollar
- Immediate impacts from COVID-19 due to international travel restrictions
- Lower tourism demand and domestic containment measures left knock-on effects on tourism-related sectors such as food and beverage, handicraft, agriculture and transport
-

Manufacturing and trade

- International supply chains disrupted due to limitation the import supply of raw materials and contraction in private consumption and external demand
- The 3rd quarter of 2021 reached 60% of the annual plan (planned 75% for 3rd quarter) with economic growth 9 percent. The garment industry was the heavily impacted with a decrease by 14.3%; beverage industry by 12.7% and furniture manufacture by 9.8%
- The impacts of COVID-19 have been especially on most women working in the garment and electronics industries

Urgent recovery efforts

- Stimulus packages including tax relief and interest and loan deferral
- Strict lockdown and employee compensation measures
- Support the worst-hit sectors such as tourism, manufacturing (garment) and other sectors in form of policies, monitoring and other measures to prevent the spread of COVID-19
- Short-term relief such as lowering electricity, water and internet fees for businesses and households to support transitions to working from home
- Tackle growing unemployment and returnees from neighboring countries
- COVID-19 vaccination to provide protection in phases, incl. targeting SEZs, industrial parks, banking and labor-intensive industries

Partnership in response to COVID-19 Pandemic

LNCCI

- Business surveys on COVID-19 impacts and response measures
- Dialogue and consultations between the public and private sector while lockdowns are in place

UNIDO

- Two surveys conducted and disseminated: COVID-19 impacts on Lao manufacturing, and promoting best practices and lessons learned from other countries
- Re-purpose manufacturing during the pandemic and recovery via virtual meetings and forums on promoting protection measures and awareness raising for safe manufacturing practices
- Online capacity building on policy in connection to networking and platforms for COVID-19 recovery and the need for SME digitalization

ITC and EU ARISE Plus project

- Surveys and roadmap priorities for post-COVID-19 recovery incl. on wood processing and coffee export

ILO and GIZ

- Developing Standard Operating Procedure (SOP) and training for manufacturing, starting from garment and is being rolled out to other manufacturing sectors

LNCCI working with ILO and GIZ



Recovery: Short-term measures

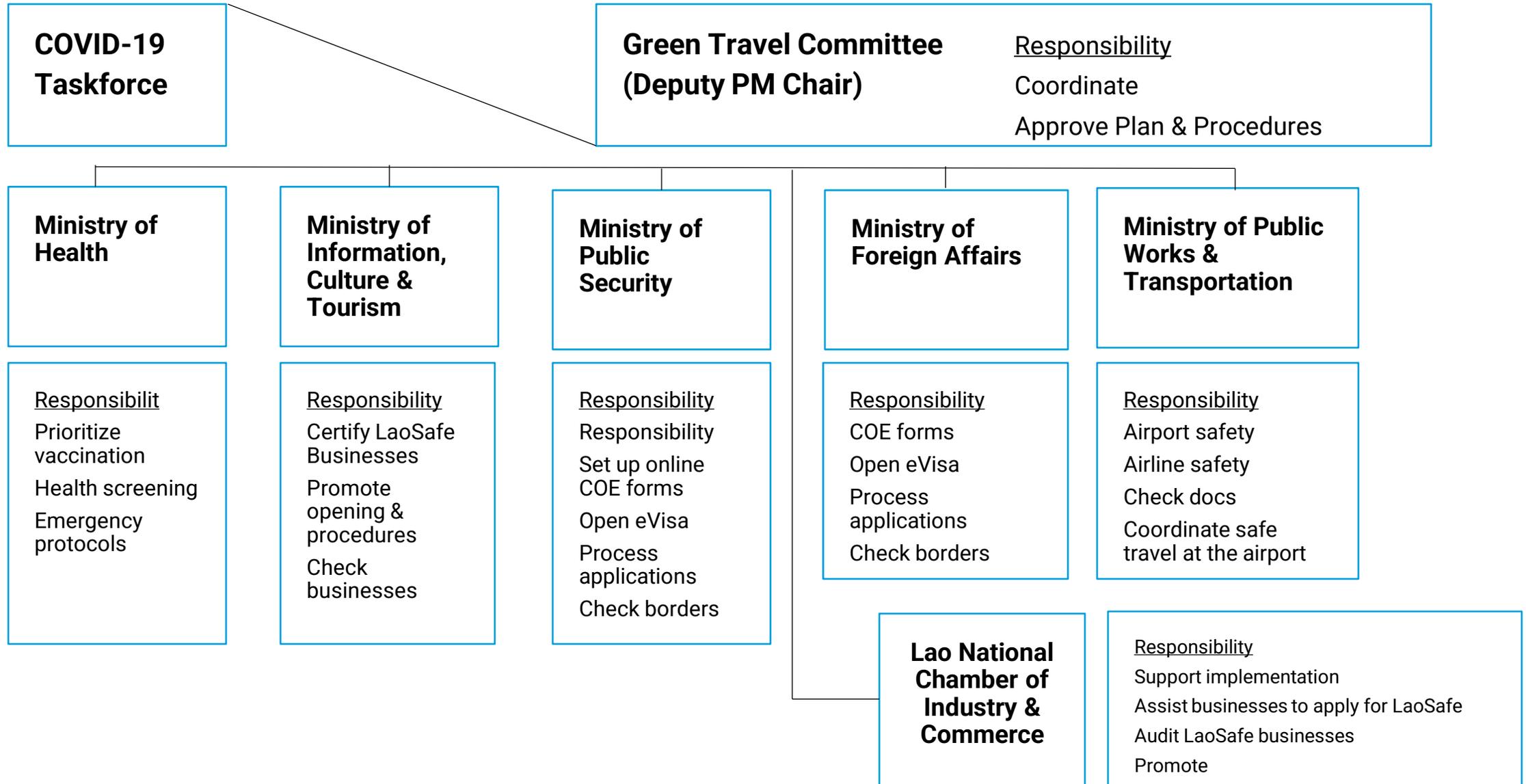
- Roll out COVID-19 vaccination
- Support systems to women who are particularly affected by COVID-19 due to job loss or other impacts
- Stimulus packages including tax relief and lowering utilities fees for businesses and households
- Lending to SMEs to provide additional liquidity
- Continuing public-private sector dialogue on COVID-19 impacts and responses, incl. through Lao Business Forum (LBF)
- Managing unemployment through job matching, encouraging businesses to retain employees and reskill
- Ensure that Laos is open with safe bubble zoning under the guidance of COVID-19 Standard Operating Procedures (SOP) esp. in tourism and manufacturing (regional value chains)
- Compliance anti-money laundering standards: Including counter financing of terrorism and FATF recommendations
- Support household businesses to economically vulnerable businesses and displaced workers

Tourism

Developing a roadmap focusing on domestic tourism, travel bubbles and establishing green tourist sector



Organigram



Resilience: Middle-term implementation

- National agenda to address macro-economic/financial difficulties and accompanying reforms
- Maximizing potentials for SEZs and industrial parks in light of Lao-Chinese railway to be open on 2 Dec 2021.
- Strengthening local businesses incl. tourism and handicraft esp. SMEs.
- Transitions to digital economy: sound policy framework for a digitalized economy and empowerment women to take advantage of new business opportunities such as e-commerce
- Increasing e-government in order to increase efficiency and better serve the public
- Supporting resilient linkages with regional value chains with expectation for possible production or order relocation to the region
- Building a resilient health system for better health emergency and service delivery

Sustainable growth: Long-term implementation

- Seizing trade and investment opportunities by improving business environment: simplifying and harmonising regulations on starting businesses, operating licenses, trading across borders...
- Invest in reskill and digitization for SMEs
- Leveraging on trade liberalization and regional integration – ASEAN and RCEP
- Ensuring a smooth LDC transition strategy: In order to avoid or mitigate potential impacts on trade
- Improving logistics infrastructure and services
- Policy synergies with support from development partners toward smooth LDC graduation and SDG realization
- Boost trade and investment outside the resource sector in order to support Lao PDR's economic recovery and drive long-term inclusive growth – regulations and procedures, transport and logistics, exports of agricultural and food products that hold significant potential for driving poverty reduction

Sustainable growth: Manufacturing and handicraft sectors

Manufacturing and Handicraft Development Plan 2021-2015





03

Managing Changes and Enhancing Policy Preparedness for Decent Work

Lao PDR needs a concerted action to advance a human-centred recovery that is inclusive, sustainable, and resilient

- National Vision to move the country out of the list of Least Developed Countries (LDC)
- 2030 Agenda for Sustainable Development Goals (SDGs).

Prior to COVID-19 pandemic, the labour force participation rate in Lao PDR was already alarming.

Indicator	LAO PDR	RURAL		
		Total	Male	Female
Working age population	4, 758, 031	3, 227, 961	1, 589, 867	1, 638, 093
Labour force	1, 940, 230	1, 117, 265	619, 420	497, 844
Employment	1, 757, 733	978, 666	534, 576	444, 090
Labour force participation rate (%)	40.8	34.6	39.0	30.4
Unemployment rate (%)	9.4	12.4	13.7	10.8
Composite rate of labour underutilization (%)	25.8	33.1	35.8	29.5
Youth unemployment rate, aged 15-24 (%)	18.2	20.2	23.1	17.1
Share of wage workers in total employment (%)	32.4	24.7	29.1	19.4
Average gross monthly income, employees (Laotian Kip)	2, 481, 000	2, 412, 000	2, 491, 000	2, 269, 000
Out of labour force	2, 817, 801	2, 110, 696	970, 447	1, 140, 249
Of which: Own-use production worker (subsistence)	2, 455, 328	1, 912, 995	870, 191	1, 042, 804

Before COVID-19

Working poor	Migration	Social Protection	Policy linkage
<ul style="list-style-type: none">• Weak compliance to national and international labour standard• Poor job quality• Working without occupational safety and health measures• Securing decent employment is difficult for young people and women	<ul style="list-style-type: none">• Migration as a strategy for many Lao households• Only a small number of Lao migrant workers migrate under the MOU because of the high fees, slow process, and administrative complexity involved• In 2019, US\$285 million remittances received• In 2020, US\$271 million remittances received, representing 1.5 per cent of GDP	<ul style="list-style-type: none">• The social protection system leaves a large part of the population unprotected.• Limited coverage of Social Security• Expanded coverage of National Health• No income social protection	<ul style="list-style-type: none">• Weak linkage between investment, trade and industrial policies and regulations to labour and employment policies• Limited partnership on skills development• Weak social dialogue• Weak labour market information system• Weak wage mechanism

During and after COVID-19

World of work

- Unemployment was estimated to be 20% in 2020
- A 2020 survey - 71% of the surveyed firms had to stop their operations
- Employers' survey - job losses in key sectors (i) wholesale and retail trade, (ii) manufacturing; (iii) construction
- Women have suffered disproportionate job and income losses, while often also doing the majority of unpaid care work
- The education, training, and employment of young people are profoundly disrupted
- **Risks that the future labour force in Lao PDR will be unskilled or low skilled.**

Migration

- Sudden and massive return of more than 200,000 migrants
- No comprehensive policies prepared for the sudden and massive return of the Lao migrants and limited scope to reintegrate such large numbers, including for skills development and recognition.
- Migration has become much more precarious during COVID-19

Stakeholder mapping and policy recommendations

Strengthening linkage of policies

MPI, MoIC, moLW, MoAF, LNCCI, LFTU, LWU

implementation of the National Social Protection Strategy

MPI, MoLW, MoF, MoH, MoAF, MoES, MoHA, LNCCI, LFTU, LWU

Synergies with other workstreams

Promoting and strengthening public-private partnership

MoLSW, MoES, LYU, LWU, LNCCI, LFTU, TVET, Skill Dev Institutions,

Strengthening social dialogue on development and enforcement of national policies and legislation

All Ministries, LNCCI, LFTU, LWU

Financing for sustainable development and effective development cooperation

Trade and private sector, value chains and tourism

Green growth, resilience and risk management with respect to potential environmental, health, and economic shocks

Human capital including health and education

Strengthening the implementation of the national rural employment promotion strategy

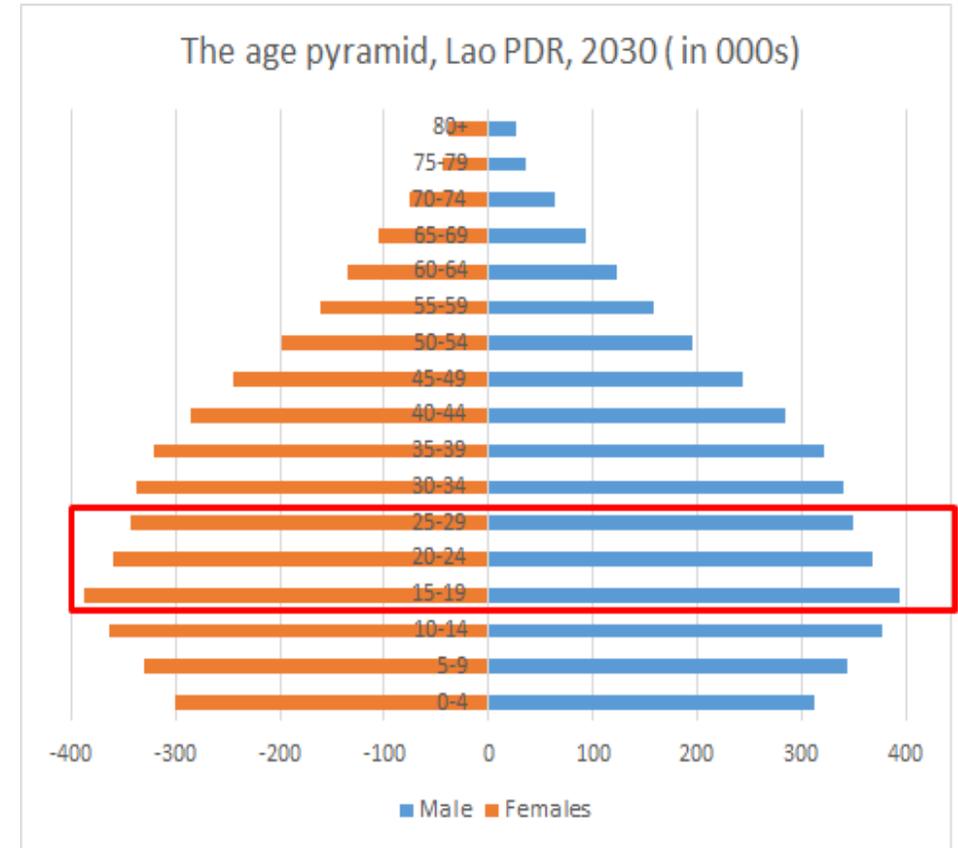
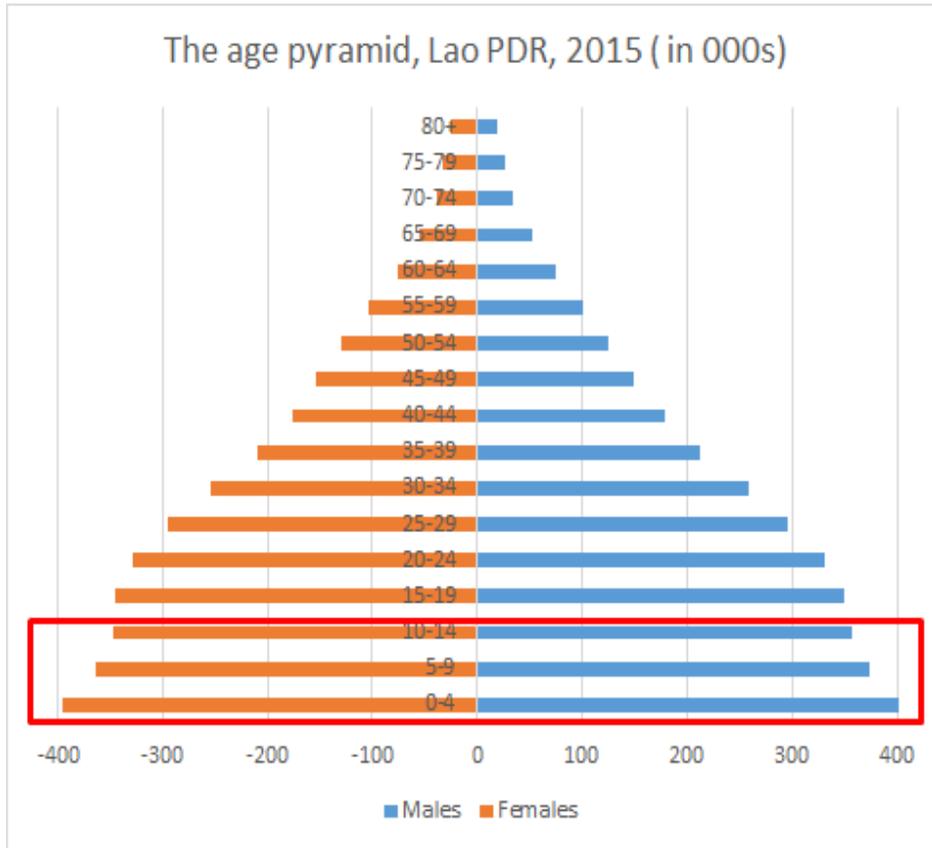
MPI, MoLW, MoIC, MoAF, Provincial authority LNCCI, LFTU, LWU



04

Human Capital

Lao Population Pyramids, 2015 & 2030



- Total population: 6.4 m (2015) and 7.2 m (2020)
- Lao Population will reach **8.1 million** in 2030
 - An additional **1 million people** in 10 years!

CHALLENGES FACING HUMAN CAPITAL IN LAO PDR

01

Productivity

Investments needed to harness potential

02

Social Sector Funding

Health, nutrition, and education financing below benchmarks

03

Low Human Capital Index

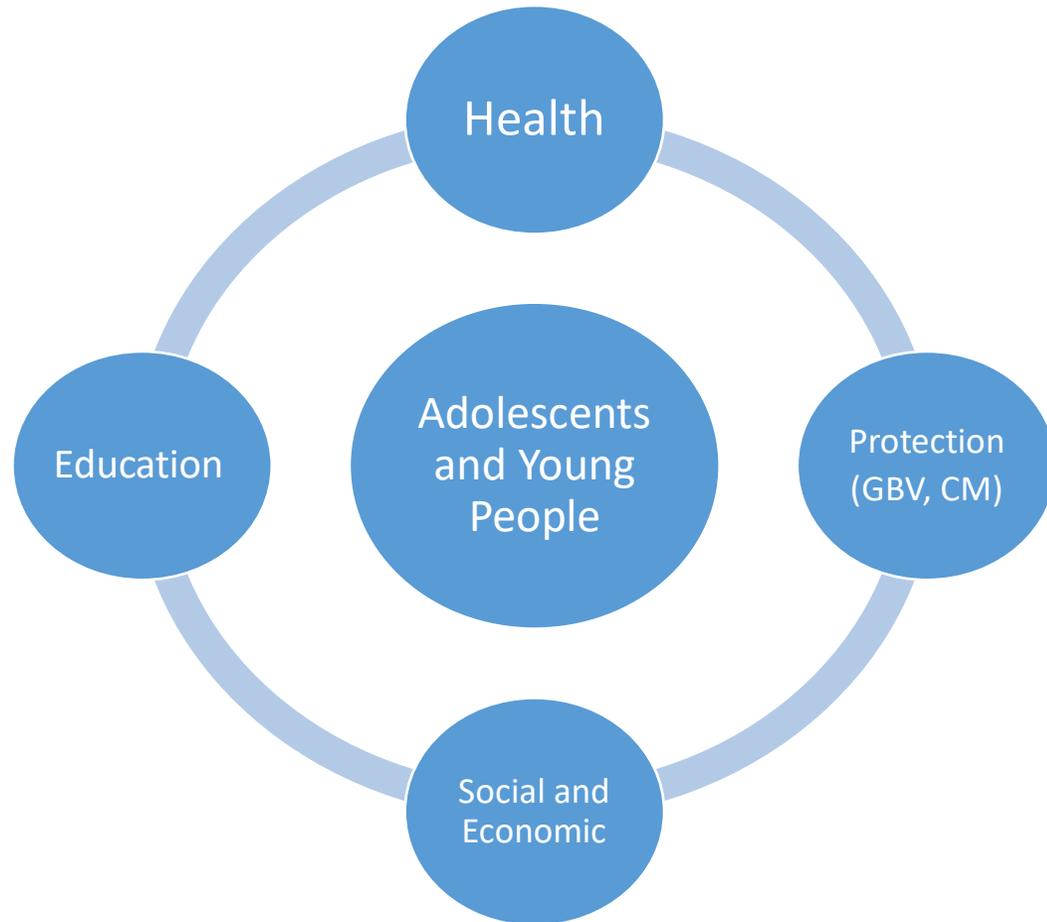
Ranked 126th of 173 countries by World Bank

04

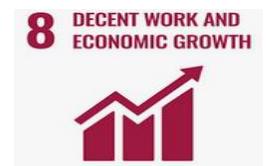
Learning

Low student proficiency in reading, writing, mathematics

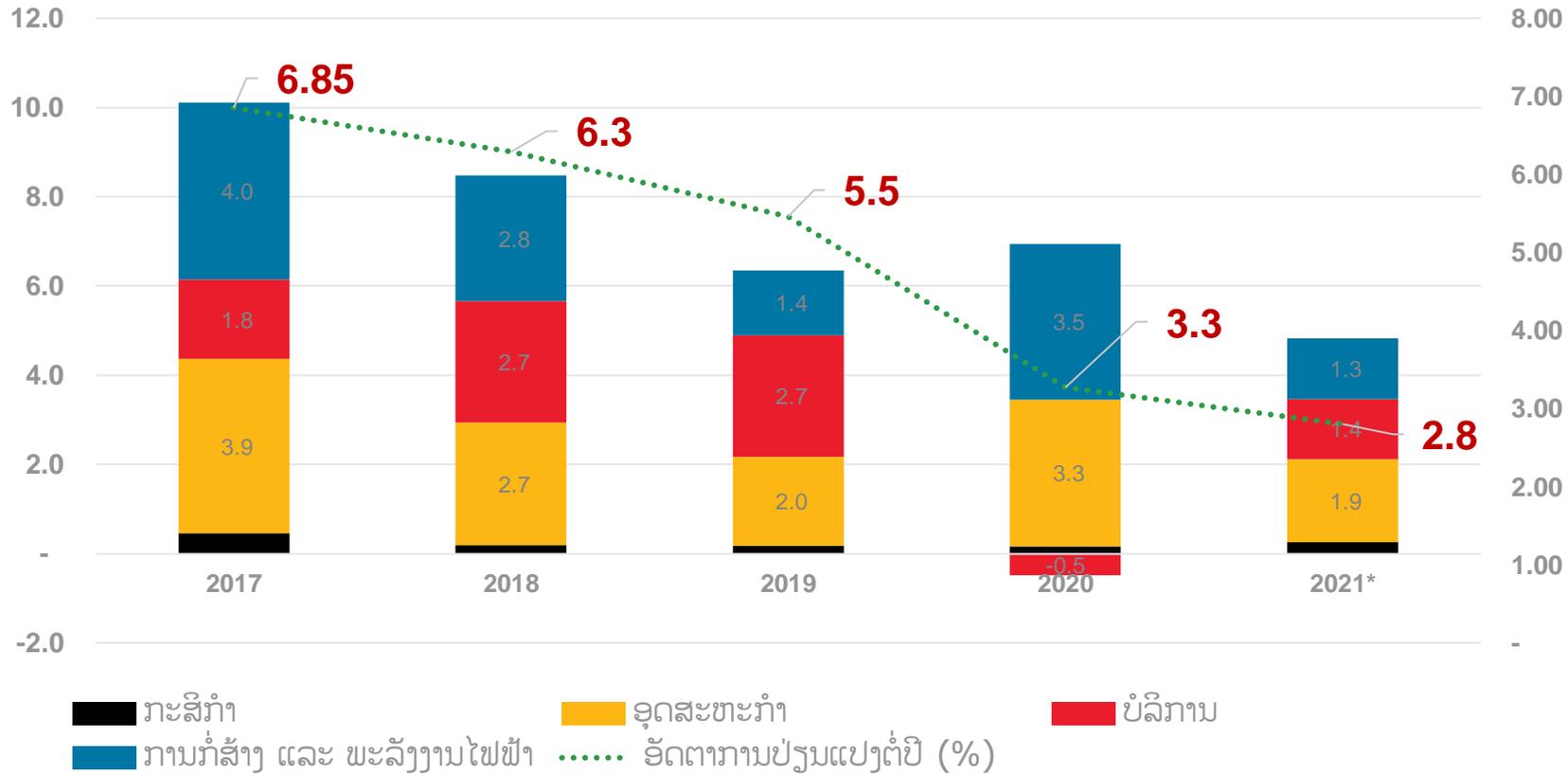
Adverse Impacts of COVID19 on Adolescents and Young People



- Draft Background Paper of the Multi-Stakeholder Taskforce to Study the Impact of COVID-19
- The assessment of impact of COVID-19 on adolescents jointly conducted by CDR, UNPFA and UNICEF during mid-2020



Economic Impact



- Economic growth is expected to decline sharply in 2020 and 2021
- Service sector is worst affected: est. -1.2% growth in 2020, and only 0.8% in 2021
- Agriculture is still recovering from the losses of 2019 (it is expected the growth of 2.5% in 2021)

Impact of COVID-19: Education



School Closures

Worsening already low learning outcomes



Quality of Learning

Reduction in attendance rates and learning



Inequality

Adolescent girls from poorest households at higher risk



Financing

Reduction in resources available for investment in education

Impact of COVID-19: Health and Nutrition



Financing

Budget for health reduced by 30%



Wasting

Projected 73,000 children under 5 acutely malnourished each year.



Immunization

Declines in coverage of 4 percentage points for measles and rubella.



Hunger

41% of households ate less than before the pandemic, 36% skipping meals.

Impact of COVID-19: SHR and Mental Health

Sexual and Reproductive Health

- Reduction in contraceptive coverage
- Increase in abortions
- Increase in unplanned pregnancies
- Additional maternal deaths

Mental Health

- Increase in anxiety and psychosocial stress amongst women, girls, and young people
- Especially those whose work or education is disrupted

Impact of COVID-19: Protection

Gender-Based Violence

Increases during lockdowns

Harmful Practices

Such as child marriage

Exploitation and abuse

For disadvantaged and marginalized girls and young women

Adolescent pregnancies and child labour

Schools closure, interrupted health, economic distress

Ongoing COVID-19 Responses

01

Health Sector

COVID-19 Response
and Preparedness
Plan

02

SRH

Sexual and
reproductive health
pilot

03

Nutrition

Nutrition Response
Plan

04

Monitoring

Innovations in
monitoring whilst
movement restricted

05

Advocacy

On impact of COVID-
19 on young people.

06

Risk Communication

Youth Against
COVID-19 campaign.

07

Online Education

Through TV and
internet

08

Essential Supplies

PPE, masks,
sanitation and
hygiene supplies

Recommendations for medium and long-term Human Capital- Child focused

01

Health Financing

Strengthen health financing system.

02

Scale-up

Key programmes for integrated health management

03

Prioritize

Essential Health Service package, infant and maternal mortality, health workforce

04

Breastfeeding

Cadre of counsellors

05

Mental Health

Mental health and psychosocial support hotline

Recommendations for medium and long-term COVID-19 Response

Ensure that COVID19 responses are **sensitive and inclusive to the needs of all adolescents and young people** including adolescent girls with disability

Support adolescents and young people with **risk communication** on COVID-19

Collect, analyze and use gender and adolescent age disaggregated data for planning the COVID19 responses

Empower and engage adolescents and young people as agents of change and ensure their participation in decision making, planning, programmes.

Sector Specific Recommendations



Health

Continue delivery of youth friendly sexual services, mental health psychosocial support, balanced food and nutrition to adolescent and young people



Education

Provide financial assistance, CSE, train teachers and educators in online safety and support for adolescents especially girls in returning to school for preventing school drop-out



Protection

Strengthen child protection, gender based violence prevention and response services including addressing online harassment



Social and Economic

Provide support to the families of adolescent girls and boys to ensure family income and financial access to goods and services to prevent them engaging into child labour as a coping strategy



05

Green Growth, Resilience, and Risk Management

Key impact and risks of COVID-19 for Green Growth, Resilience and Risk Management

- COVID 19 intensified Lao PDR's development challenges because of its reliance on natural resources, low resilience to shocks, and weaker business competitiveness
- Ongoing difficulties in domestic resource mobilization associated with structural challenges that are being exacerbated by the COVID-19 pandemic are likely to keep the fiscal deficit elevated in the short term
- Macroeconomic framework remains fragile given the level of debt distress, increased debt-service pressure, and potentially higher refinancing rates
- Investing in green growth, resilience and risk management will require substantial financial resources, both public and private. However, the widening fiscal deficit caused by the pandemic is expected to sharply constrain the amount of public funding that can be allocated to these areas in the short-term
- Women are more exposed to the economic downturn as they typically operate in the lower sections of the labour market, in more vulnerable or more exposed sectors, or as unpaid family workers with no health insurance or social security
- Vulnerable ethnic groups living in remote areas are facing high unemployment and underemployment rates, with a consequent decline in income and food security

Implementation

Green Growth

A number of important green growth activities have been initiated:

1. Introduction of Government policy to promote electric vehicles, initiation of solar power production and solar panel use by factories and off-grid households, and wind power farms
2. Embedding of the National Green Growth Strategy 2030 into the planning process of line ministries;
3. Ongoing revision of the environment law by MONRE;
4. Alignment of the MOF budget to support green growth through public procurements, and efforts to improve the country's credit rating to attract investors for green bonds; and
5. Efforts to instill responsible and sustainable business models in the private sector by LNCCI.

Resilience Building

A number of important resilience activities have been initiated:

1. Ongoing revision of the law on Small Medium Enterprises (SME) promotion and cross-border trade facilitation;
2. Capacity strengthening of SMEs by LNCCI in business planning, accounting, and access to finance;
3. Initiatives to strengthen agricultural supply chains by MAF; and
4. Social protection support provided by MLSW and partners to unemployed workers

Implementation

Risk Management

A number of important green growth activities have been initiated:

1. Strengthening of DRM through cross-sector coordination among ministries;
2. Endorsement of the National DRR Strategy by Government in 2021;
3. Capacity development on DRR at central and decentralized levels set up by MLSW;
4. Disaster relief capacity, coordination, emergency response and early warning systems strengthened by MLSW;
5. Establishment of a national DRM fund and organization of disaster risk insurance;
6. Inclusion of DRR outcomes and indicators into MPWT's investment plan.

Lessons Learned

Lessons learned in efforts to implement the recommendations are:

1. In light of the deteriorating public fiscal position, actions which require increased national budgetary expenditure in the short term are very challenging;
2. While many of the proposed actions are reflected in the 9th NSEDP their implementation could take longer than anticipated due to the effects of the pandemic; and
3. Proposed actions that are realistic, concrete and measurable have greater chances of being implemented.



Synergies Required in the Following Areas

Financing for sustainable development

- Essential to ensure macro-economic stability, strengthening fiscal and monetary policy, and accelerating business environment reforms; and
- Increasing revenue mobilization, improving public expenditure management, & strengthening financial sector

Trade, private sector, value chains and tourism

- Improvement of the business environment for the private sector can increase the financing available for investment in green growth;
- Environmentally responsible tourism will offer opportunities for investment in green infrastructure & green jobs.

Skills development and sustainable employment

- The re-calibration of skills development required to implement a green growth model can lead to increased sustainable employment opportunities. This would have important impacts in light of the low labour force participation rate (particularly of women), the rising unemployment created by the pandemic, and the return of a significant number of migrants.

Human capital

- Investment in human capital can improve the productivity of young adults by improving early life experiences of adequate nutrition, responsive care, transition into school, learning and schooling decisions, employment practices, and health policies, and facilitate a transition to green growth and increased management of risks.

Stakeholder mapping, mitigation measures and policy recommendations

Action / Recommendation	Period	Government Unit / Ministry	Implementing Entity	Target Group	Alignment with SDGs / national priorities
<p>Green growth: aim for a low carbon economy; accelerate clean energy transition; promote green bonds for renewable energy; promote green budgeting and expenditure tagging; promote sustainable waste management; encourage green infrastructure and transitioning of industry, support the ASEAN Comprehensive Recovery Framework.</p>	<p>9th NSEDP period (2021-2025)</p>	<p>MOIC, MOF, MONRE, MAF, MPWT, LNCCI</p>	<p>MOIC, MOF, MONRE, MAF, MPWT, LNCCI</p> <p>Supported by ADB, other IFIs, UN agencies, bilateral partners</p>		<p>SDG 6, 7, 11, 12, 13</p> <p>9th NSEDP Outcome 4</p>

Stakeholder mapping, mitigation measures and policy recommendations

Action / Recommendation	Period	Government Unit / Ministry	Implementing Entity	Target Group	Alignment with SDGs / national priorities
<p><i>Resilience building.</i> invest in local communities to protect ecosystems; strengthen biodiversity and wildlife protection and conservation; build community resilience to disaster risks and climate change; strengthen private sector resilience and pandemic recovery; invest in resilient infrastructure and supply chains; implement actions from the National Food Systems Summit Consultations.</p>	<p>9th NSEDP period (2021-2025)</p>	<p>MONRE, MAF, MAF, MOIC, MLSW, MPWT</p>	<p>MONRE, MAF, MAF, MOIC, MLSW, MPWT</p> <p>Supported by ADB, other IFIs, UN agencies, bilateral partners</p>		<p>SDG 1, 2, 8, 10, 12, 13</p> <p>9th NSEDP Outcomes 1, 3, 4</p>

Stakeholder mapping, mitigation measures and policy recommendations

Action / Recommendation	Period	Government Unit / Ministry	Implementing Entity	Target Group	Alignment with SDGs / national priorities
<i>Risk management.</i> promote disaster risk financing; strengthen and mainstream DRR across ministries and sectors; use data to better determine risk; implement measures to reduce air pollution and improve air quality; support new national DRR policy.	9 th NSEDP period (2021-2025)	MLSW	MLSW Supported by ADB, other IFIs, UN agencies, bilateral partners		SDG 13 9 th NSEDP Outcome 4



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Vientiane | 17 November 2021

THANK YOU!