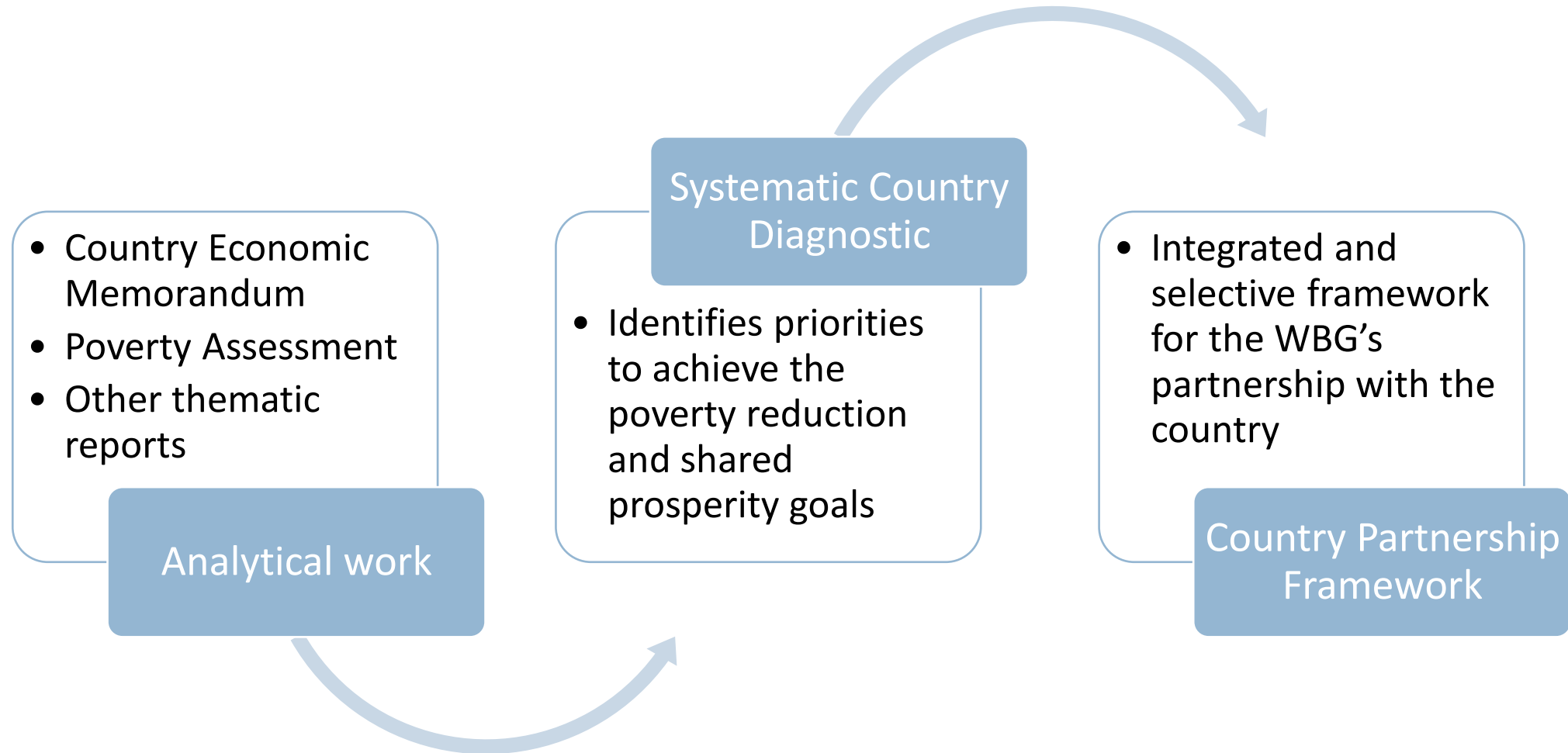




Systematic Country Diagnostic

What is a Systematic Country Diagnostic (SCD)?



SCD Findings

Key **risks** identified in the 2017 SCD have materialized:

- Increasing macroeconomic instability, aggravated by pandemic.
- Jobless growth with rising inequality.
- Vulnerability to climate change, environmental degradation, and shocks (e.g. health-related).

Recommendations:

- **Stabilize** the economy (macro-financial risks).
- **Share** growth benefits equitably (through better jobs).
- **Sustain** progress by protecting environment and mitigating shocks.

Stabilize

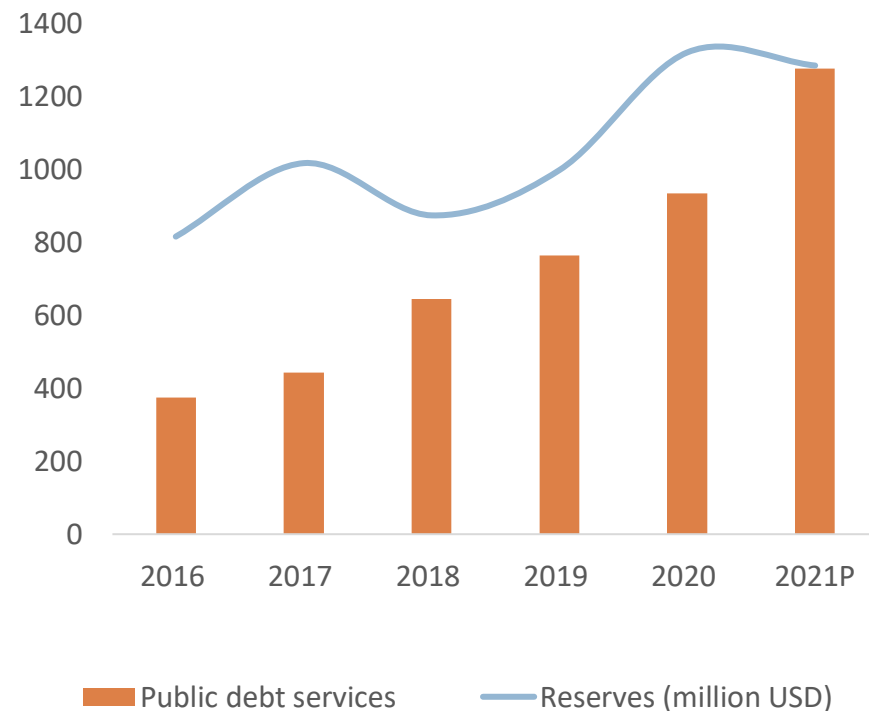
Share

Sustain

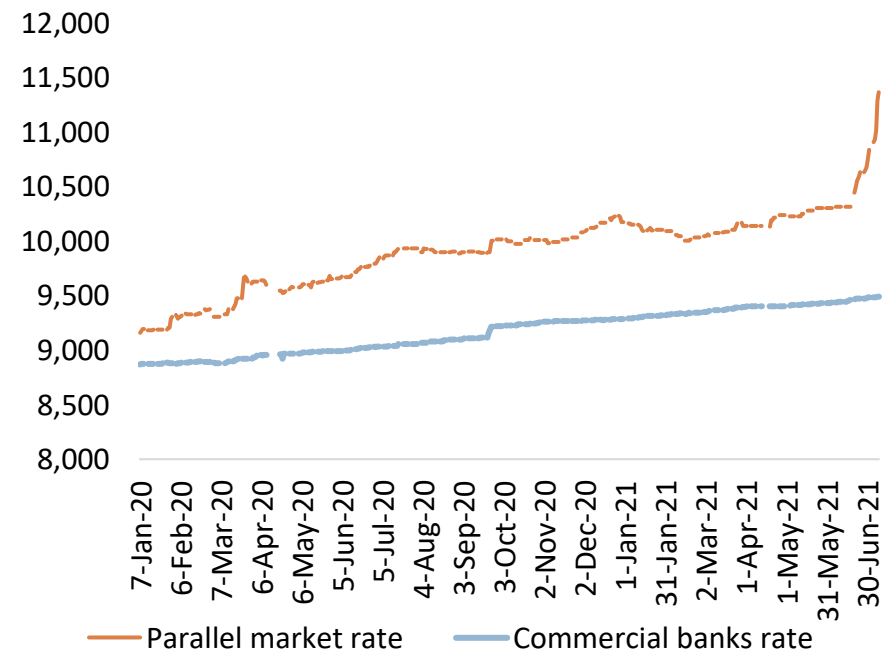
Stabilize

Securing macroeconomic stability will require measures to tackle rising public debt, eroding fiscal space, declining reserve buffers, and growing financial sector risks.

Public debt service and foreign reserves (USD million)



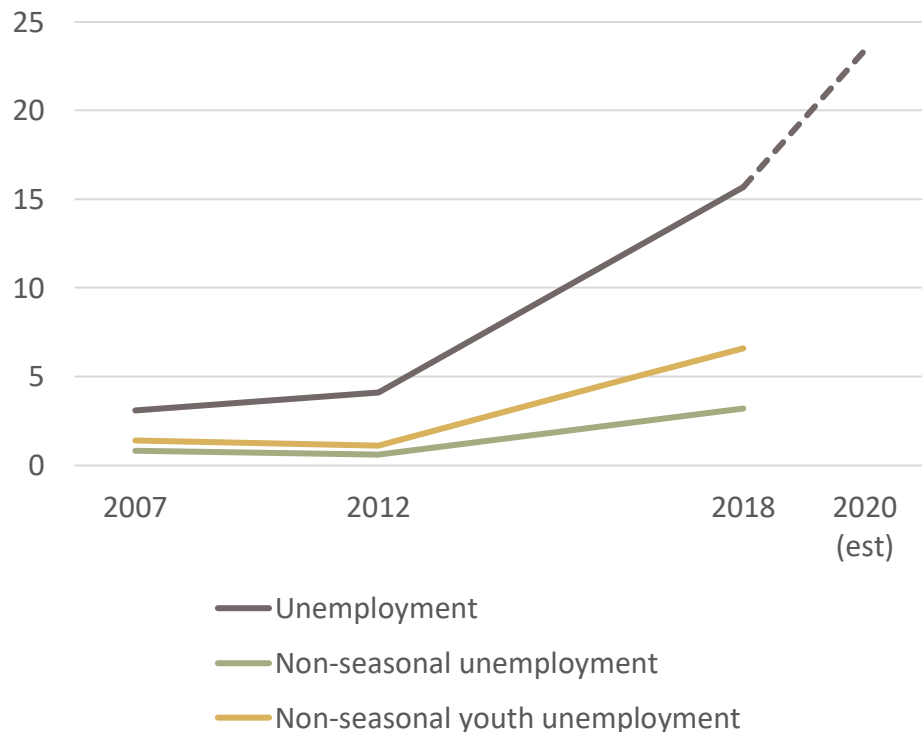
Exchange rate (kip/USD)



Share

Fostering inclusive growth will require a stronger effort to improve the business climate, develop connective infrastructure, and enhance human capital (education and health).

Unemployment (%)

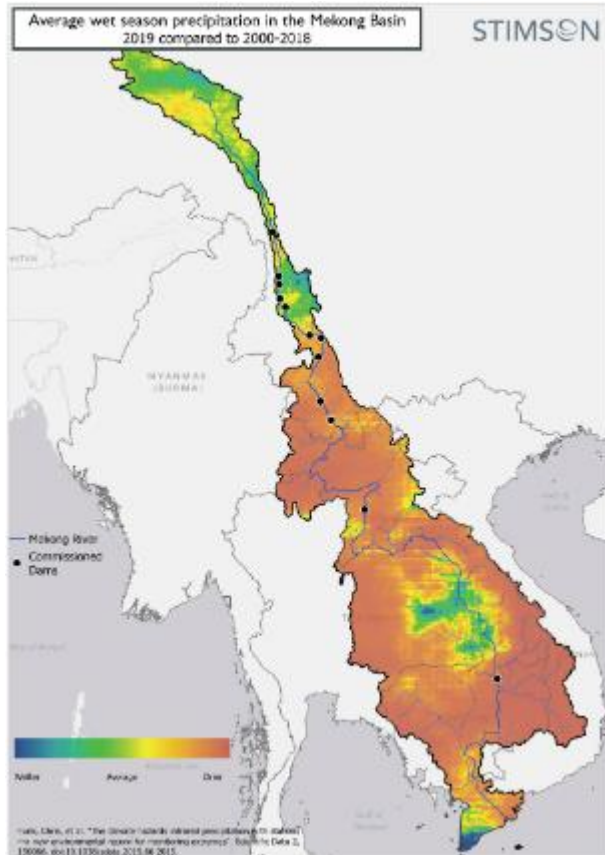


Poverty and inequality (%)

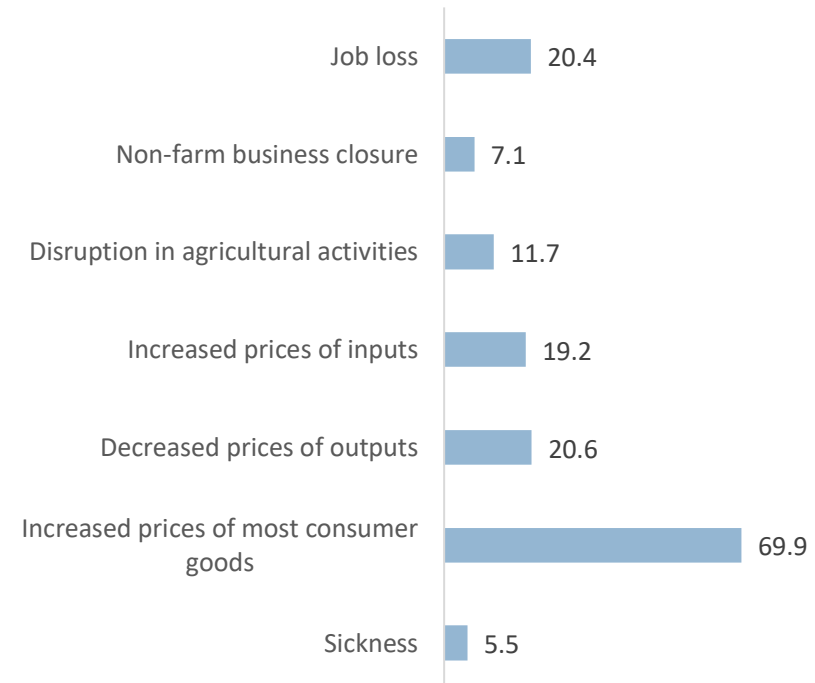


Sustain

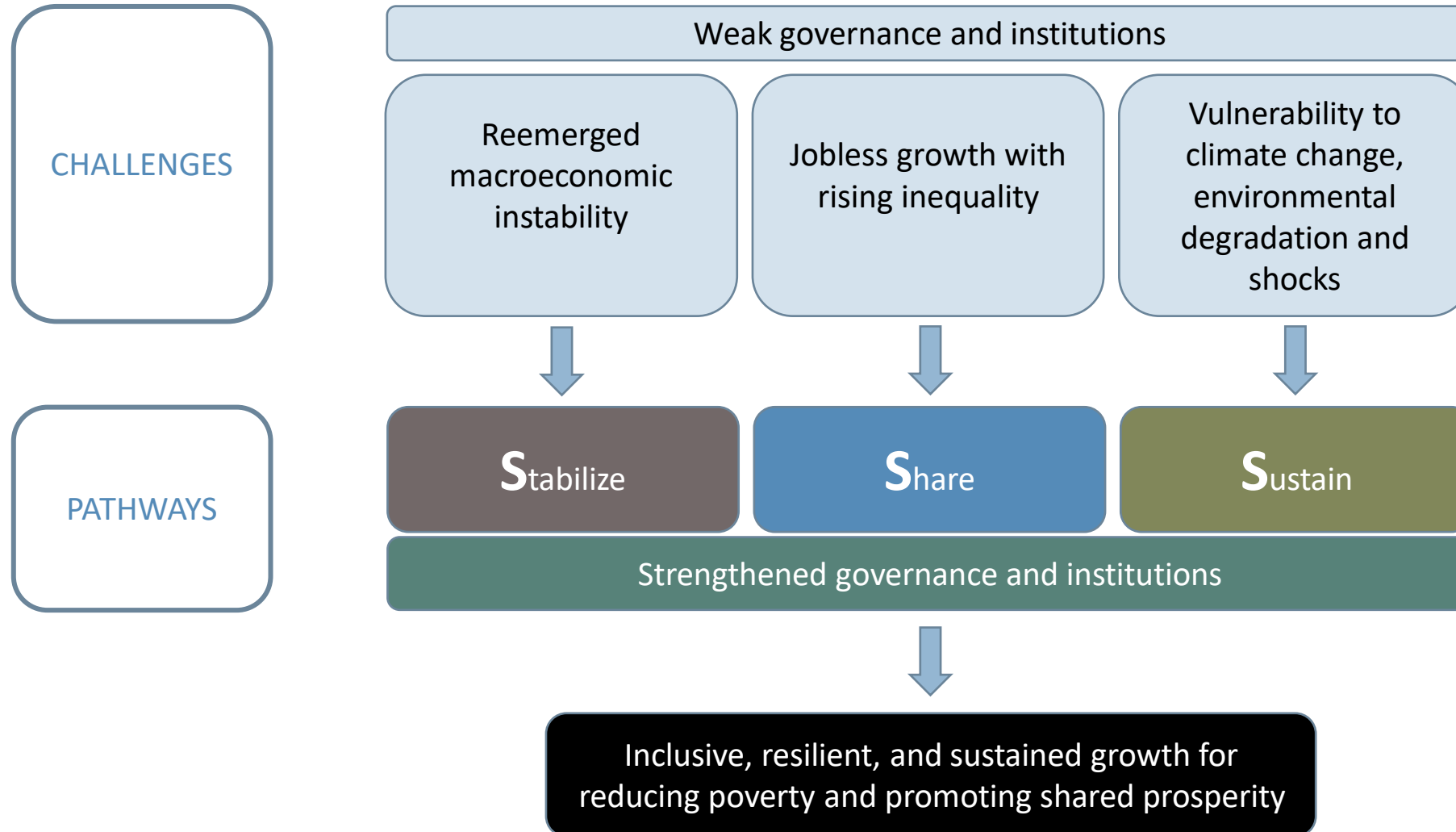
Resource depletion, climate change, and vulnerability to shocks requires an improved management of natural resources, climate action, and measures to safeguard livelihoods.



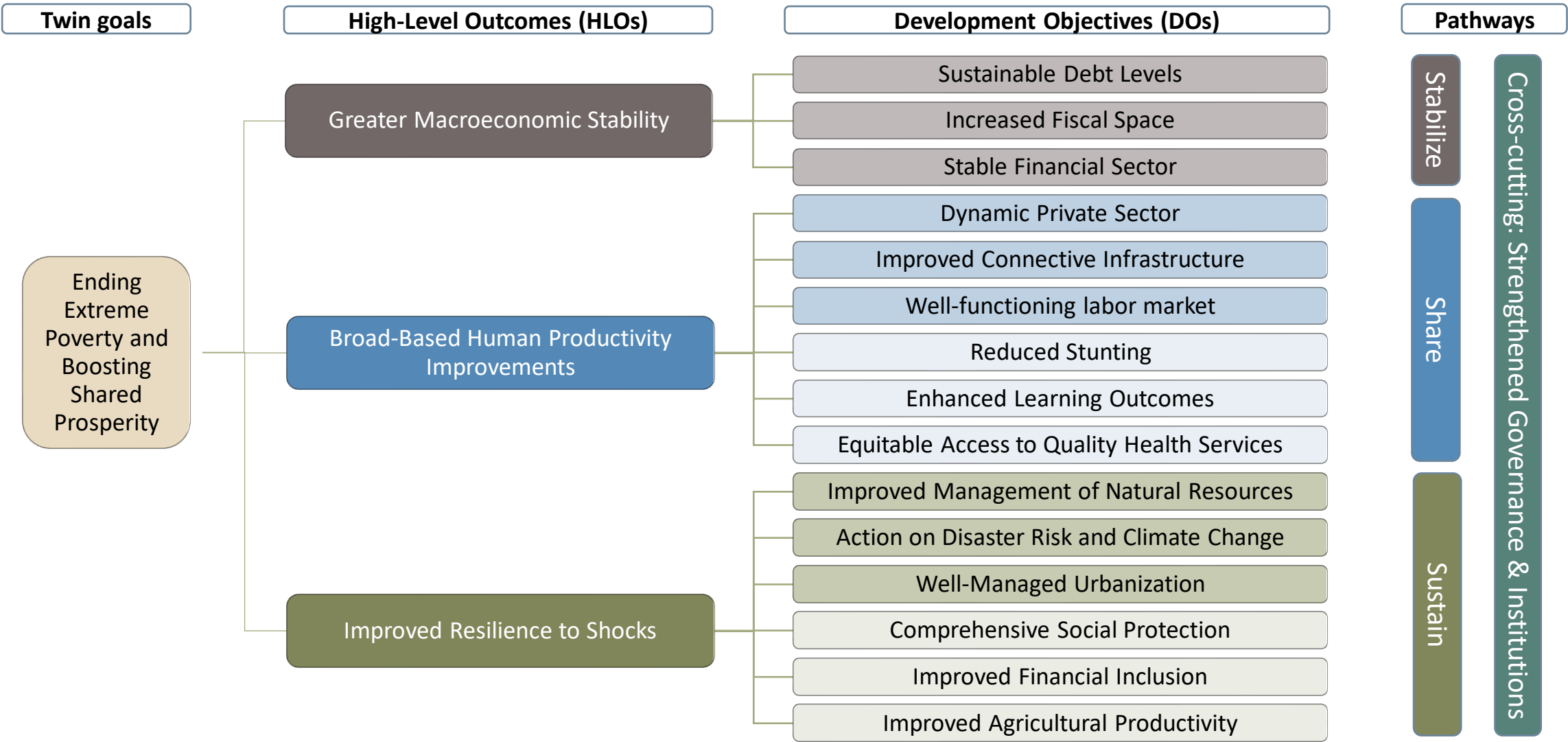
Households experiencing shocks (% , Mar-Jul 2020)



SCD Framework



High-Level Outcomes and Development Objectives



Prioritization of Development Objectives

Top priorities
 High priorities
 Medium priorities

Top	High	Medium
Sustainable debt levels	Stable financial sector	Well-functioning labor market
Increased fiscal space	Improved connective infrastructure	Well-managed urbanization
Dynamic private sector	Reduced stunting	Improved financial inclusion
Enhanced learning outcomes	Equitable access to quality health services	
Improved management of natural resources	Action on disaster risk and climate change	
Increased agricultural productivity	Comprehensive social protection	
Strengthened governance and institutions		

Re-prioritization

SCD Update	SCD 2017	Change
Sustainable debt levels	Putting public debt on a sustainable path and strengthening financial sector stability	-
Stable financial sector		Revised down
Increased fiscal space		New
Dynamic private sector	Making it easier to do business and create good jobs	Revised up
Improved connective infrastructure	Investing in infrastructure for growth and inclusion	-
Well-functioning labor market		New
Reduced stunting	Investing in improving nutrition to achieve children's full potential	Revised down
Enhanced learning outcomes	Improving quality of education and keeping girls in school	-
Equitable access to quality health services	Improving access to and quality of health services for more productive people	-
Improved management of natural resources	Promoting strategic use of natural resources and responsible management of the environment	-
Action on disaster risk and climate change	Putting in place a strengthened DRM	Expanded
Well-managed urbanization		New
Comprehensive social protection	Introducing a basic social protection system to lower vulnerability	Revised up
Improved financial inclusion	Improving inclusiveness of the financial sector to improve access to credit and lower risks	-
Increased agricultural productivity	Increasing agricultural productivity to support incomes	-
Strengthened governance and institutions	Enhancing governance and creating a rules-based environment	Cross-cutting