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Report No. 177311-LA

**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY
COUNTRY PARTNERSHIP FRAMEWORK
FOR
THE LAO PEOPLE'S DEMOCRATIC REPUBLIC
FOR THE PERIOD FY2023–FY2026**

December 16, 2022

**International Development Association
Southeast Asia Country Management Unit
East Asia and Pacific Region**

**The International Finance Corporation
East Asia and Pacific Region**

The Multilateral Investment Guarantee Agency

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The date of the last Performance and Learning Review was February 12, 2020

CURRENCY EQUIVALENTS

Exchange Rate Effective as of October 25, 2022

17183 LAK = 1 USD

FISCAL YEAR

January 1-December 31

ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics	LPRP	Lao People’s Revolutionary Party
ASEAN	Association of Southeast Asian Nations	MNCA	Multisectoral Nutrition Convergence Approach
CCDR	Country Climate and Development Report	MPI	Ministry of Planning and Investment
CEM	Country Economic Memorandum	MSME	Micro, Small & Medium Enterprises
COI	CPF Objective Indicator	NNS	National Nutrition Strategy
CPF	Country Partnership Framework	NPA	National Plan for Nutrition
C-GAP	Country Gender Action Plan	NSEDP	National Socioeconomic Development Plan
CLR	Completion and Learning Review	PASA	Programmatic Advisory Services and Analytics
CPF	Country Partnership Framework	PER	Public Expenditure Review
DHI	District Health Information System	PLR	Performance and Learning Review
DSA	Debt Sustainability Analysis	PPA	Performance and Policy Actions
EDL	Electricité du Laos	PPG	Public and publicly guaranteed
ESF	Environmental and Social Framework	PPP	Private-public partnerships
FY	Fiscal Year	PPP	Purchasing Power Parity
GCRF	Global Crisis Response Framework	SCD	Systematic Country Diagnostic
GDP	Gross Domestic Product	SDFP	Sustainable Development Finance Policy
GNI	Gross National Income	SEARECC	Southeast Asia Regional Economic Corridor and Connectivity
GOL	Government of the Lao PDR	SME	Small & Medium Enterprises
GRID	Green, Resilient, and Inclusive Development	SOEs	State Owned Enterprises
HANSA	Health and Nutrition Services Access (Project)	SPI	Supplemental Performance Indicator
HLO	High-level Outcome	USD	United States Dollar
IBRD	International Bank for Reconstruction and Development	VLP	Vientiane Logistics Park
IDA	International Development Association		
IPF	Investment Project Financing		

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FY23–26 COUNTRY PARTNERSHIP FRAMEWORK FOR LAO PEOPLE’S DEMOCRATIC REPUBLIC

I. INTRODUCTION

1. This Country Partnership framework (CPF) covers the period from July 1, 2022, until June 30, 2026. The previous CPF covered the period FY17–21 and was not extended at the time of the Performance and Learning Review (PLR) of February 2020 as it just preceded the COVID-19 pandemic which subsequently caused unprecedented disruption and delays. The Lao PDR suffered significantly from the COVID-19 crisis well into the first part of 2022, only opening the country by mid-year, which further delayed preparation of the CPF. The CPF is based on the 2021 update of the 2017 Systematic Country Diagnostic (SCD) and builds on the results and lessons of the previous CPF, outlined in the Completion and Learning Review (CLR) (Annex 2). It also draws on the 2022–26 Country Gender Action Plan (C-GAP), and the 2021 Country Economic Memorandum (CEM). Given the considerable macroeconomic and debt challenges in Laos, exacerbated by the pandemic, the CPF has been informed by a joint World Bank (WB)-International Monetary Fund (IMF) Debt Sustainability Analysis (DSA) prepared in early 2022 as well as ongoing analysis of the most recent debt information.

2. The FY17–21 CLR rates progress towards the achievement of CPF development outcomes as moderately unsatisfactory, largely because of slower than expected program implementation, especially during the COVID-19 pandemic. In line with the CLR lessons, the FY23–26 CPF will pursue focus in portfolio and project design, with larger, follow-on projects that use pre-existing delivery capacity.

3. Laos is an IDA Gap country receiving World Bank financing on IDA blend credit terms. At \$ 2,520 in 2021, Laos’ Gross National Income (GNI) per capita is twice the FY23 operational cutoff for International Development Association (IDA) graduation. Macroeconomic risks have been exacerbated by the unsustainable build-up of public debt, jeopardizing development prospects. Laos’ unsustainable debt profile is of paramount importance, with a rapid decline in public social expenditures matching the sharp increase in interest expenses since 2016. Laos faces both liquidity and solvency challenges, owing to a high and largely external debt burden, low revenue mobilization, scarce foreign currency reserves, and limited financing options. The absence of creditworthiness for International Bank for Reconstruction and Development (IBRD) borrowing means that the country remains eligible for IDA financing. Factors affecting readiness for IBRD borrowing include sovereign credit ratings, further downgraded to Caa3 by Moody’s in June 2022 and to CCC- by Fitch in August 2021¹, the deferral of some bilateral debt service during 2020-22 and the cancellation of bond offerings during 2020–21. Institutional capacity constraints are reflected in Moody’s Caa1 score for institutions and governance.

4. The CEM and the SCD update identify three distinctive characteristics of the development process in Laos. First, short-term prospects for pro-poor growth are clouded by the threat of macroeconomic instability and the compression of developmental expenditures by unsustainable debt obligations. The CPF’s first High-Level Outcome (HLO), corresponding to the ‘stabilize’ pathway, is therefore *the protection of purchasing power and access to public services from macroeconomic instability and fiscal pressure on social spending*. Second, the medium-term prospects for poverty reduction and shared prosperity are impeded by stagnant job-creation, which created non-pro-poor growth. The second HLO, corresponding to the ‘share’ pathway, is *therefore to improve the labor incomes of vulnerable households*. Third, long-term prospects for livelihoods of the poor and vulnerable are particularly dependent in Laos upon natural

¹Fitch subsequently withdrew its ratings for Laos for commercial reasons.

resources. The third HLO, corresponding to the 'sustain' pathway, is therefore *to strengthen sustainable livelihoods through better management of natural resources*.

5. The CPF objectives focus on areas of demonstrated government commitment, with an emphasis on basic needs of the poor, including income-generation and human development, and climate change adaptation. If and when new directions of reform become evident, the program will adjust accordingly.

6. The Government has preferred to discuss debt restructuring directly with bilateral creditors. The WBG engagement will include an intensive Advisory Services and Analytics (ASA) program on debt-related policies, including a Public Expenditure Review (PER), and dialogue with the National Assembly, as well as IDA Sustainable Development Finance Policy (SDFP) Performance and Policy Actions (PPAs) under IDA's Sustainable Development Financing Policy.

Table 1: Selectivity – from SCD to CPF

SCD High-Level Outcomes (HLOs)	SCD Development Objectives	CPF Objectives	Government priority/demand	WBG comparative advantage
Living Standards Protected from Macroeconomic Risks	Sustainable Debt Levels	No.	Debt sustainability and stability of the financial sector are priorities of the 9 th National Socioeconomic Development Plan (NSEDP) and the 2021 National Agenda. An intensive ASA program will address debt-related policies. This will include a PER, and dialogue with the National Assembly, as well as PPAs under IDA’s Sustainable Development Financing Policy (SDFP). However, GoL’s preference has been to engage directly with bilateral creditors on debt and the WBG program does not currently have material influence over the key determinants of Laos’ debt trajectory. Debt sustainability is thus not included <i>per se</i> as a CPF objective.	
	Stable Financial Sector	No.	The World Bank will continue to provide technical assistance (TA) on bank regulation and supervision. The unsustainable macroeconomic outlook creates substantial risks for financial sector stability. However, the WBG program does not currently have material influence over the area posing the greatest risks (state-owned banks) to financial sector stability. A stable financial sector is therefore not included <i>per se</i> as a CPF objective.	
	Increased Fiscal Space	Objective 1: Improved expenditure management and revenue mobilization	NSEDP and the National Agenda place emphasis on tightening expenditures and increasing revenues to create fiscal space. Longstanding advisory engagement and strong demand for WB support, especially for domestic revenue mobilization.	Substantive ongoing WB engagement, funded by IDA and supported by the EU and the Australia Department of Foreign Affairs and Trade (DFAT), and executed in collaboration with partners, such as the International Monetary Fund (IMF) and ADB.
		Objective 2: Improved institutional capacity and power network efficiency of Electricité du Laos (EDL)	With EDL’s debt accounting for 37 percent of total public and publicly guaranteed (PPG) debt, the authorities have placed special emphasis on reducing operating losses in the power sector.	WB has access to global expertise and has a productive dialogue and ongoing ASA focused on reduced substation losses, power network efficiency, EDL corporate reforms and financial sustainability.
Improved Labor Incomes of Vulnerable Households	Well-functioning labor market	No.	While labor market function remains a long-term priority, in the short-medium run, demand for labor, not the functioning of the labor market, is the binding constraint on employment.	
	Dynamic Private Sector	Objective 3: Enhanced firm-level competitiveness and access to finance.	Priority action under the NSEDP and National Agenda to foster sustainable growth. Strong demand to address the impact of COVID-19 on firms.	WB access to global expertise on investment climate. WB, IFC and MIGA have a track record of complementary and impactful support. Ongoing advisory/investment support has helped increase access to finance for Micro, Small & Medium Enterprises (MSMEs). The Small and Medium Enterprise Access to Finance Project will facilitate access to productive capital.
	Improved connective Infrastructure	Objective 4: Increased connectivity through climate-resilient infrastructure	The Government of the Lao PDR (GoL) has identified economic corridor development and rural roads as high priorities.	WB is a leading partner in transport/logistics sector including: IFC support for logistics, IDA investment financing for primary and secondary roads, ASA on railway and transport corridors and connectivity. Ongoing co-financing with the Asian Infrastructure Investment Bank (AIIB) and Nordic Development Fund (NDF) of Road 13 North project. Co-chair with Asian Development Bank (ADB) of infrastructure sector working group.
	Reduced Stunting	Objective 5: Expanded use among women and children of practices and services beneficial to nutrition.	GoL’s commitment to improved nutrition has been part of its development planning over the long term. The National Plan for Nutrition (NPA) explicitly adopts a multisectoral convergence approach, bringing together	Existing partnership with government on nutrition agenda. WB has ongoing activities addressing childhood stunting through the Multisectoral Nutrition Convergence Approach. The work is done in close collaboration with International Fund for Agricultural Development (IFAD),

SCD High-Level Outcomes (HLOs)	SCD Development Objectives	CPF Objectives	Government priority/demand	WBG comparative advantage
			services of agricultural, social protection, health and education ministries in targeted geographical areas.	World Food Programme (WFP), and United Nations Children's Fund (UNICEF).
	Enhanced Learning Outcomes	Objective 6: Enhanced learning outcomes for primary grade students and improved acquisition of market-relevant skills.	Under the NSEDP's Human Capital outcome, early childhood education, primary education, and Technical and Vocational Education and Training (TVET)—all areas supported by the WB—are featured as priority actions.	WB's existing support for pre-primary and primary education, in partnership with the Global Program for Education (GPE). Ongoing public expenditure analysis. WB support is complementary to that of other partners, including DFAT (focused on primary education) and UNICEF. Donors look to WB for analytics on public education expenditure.
	Equitable Access to Quality Health Services	Objective 7: Improved inclusive access to quality health services.	GoL priority under human capital outcome in 9th NSEDP, which explicitly states that people of all ethnic groups, ages and genders should have access to quality health services.	WB's longstanding engagement in health. WB's recently closed Health Governance and Nutrition Development project was closely coordinated with ADB's Health System and Governance Development project and supported by the Japan International Cooperation Agency (JICA) and DFAT.
Increased Human Resilience to Shocks	Improved Management of Natural Resources	Objective 8: Improved and climate-adaptive management of forests, biodiversity and protected areas.	Improved management of natural resources has been a priority for GoL, under the green growth agenda, and an outcome under NSEDP.	WB leading partner with prior and ongoing engagement in social forestry, land tenure and environmental policy. Multilateral Investment Guarantee Agency's (MIGA) potential agro-forestry project. IFC's advisory/upstream programs established good practices for firms to sustainably collaborate with communities in the forestry sector.
	Action on Disaster Risk and Climate Change	No.	Although enhanced environmental protection and reduced disaster risks are a key outcome under the NSEDP, timing of DRM outcomes is uncertain.	
	Well-managed Urbanization	No.	No explicit government demand to date.	
	Improved Agriculture Productivity	Objective 9: More productive and climate-adapted agriculture.	Agriculture is a priority activity in the NSEDP as a potential sector that can be further leveraged to maximize the benefits of Laos' trade, as well as to generate more income and jobs.	Ongoing WB support on agricultural competitiveness and nutrition. CPF program around agriculture productivity, with a focus on smallholder farmers, especially women, and areas with high potential for poverty impact. IFC identified opportunities for potential support to private firms in agriculture.
	Comprehensive Social Protection	No.	Key priority under NSEDP, also in the light of COVID-19 and the 2022 economic crisis. However, in current fiscal policy environment there is low probability that GoL would commit to scaling-up social protection expenditures.	
	Improved Financial Inclusion	No.	Macroeconomic and financial sector stability are preconditions for significant progress in financial inclusion.	
<i>Cross cutting theme: Strengthened governance and institutions.</i>				

II. CONTEXT AND DEVELOPMENT AGENDA

2.1 Political and Institutional Factors

7. **Political stability and policy continuity are expected to prevail during the CPF period.** Since 1975, Laos has been a single-party socialist republic governed by the Lao People's Revolutionary Party. Although organized political opposition has not been apparent during the LPRP's 46-year rule, small-scale and localized reactions to decisions on natural resources are not unknown. The 11th Party Congress took place in January 2021, followed by the National Assembly elections in February 2021 and appointment of a new Government in March 2021. The composition of the 2021 government indicates a preference for continuity among the political leadership. Laos' economic relationship with China is likely to strengthen further during the CPF period. Relations with Laos' historical political and economic partners, Vietnam and Thailand, are also expected to remain strong. Laos' close ties with these three neighbors will provide a favorable environment for the World Bank Group's support for regional connectivity and trade integration.

2.2. Recent Economic Developments and Outlook

8. **Despite being among the fastest-growing economies in the world before COVID-19, Laos' growth model was already showing its limitations.** Economic growth averaged about 7 percent over the two decades to 2019, but the economy's growth pattern was capital-intensive, resource-driven, and debt-fueled. Economic growth had been steadily decelerating from 8.0 percent in 2013 to 5.5 percent in 2019. Growth was predominantly driven by large foreign investments in hydropower, mining, and construction (of transport infrastructure), which provided few formal, long-term job opportunities. The domestic private sector has been hampered by an unfavorable business environment, particularly through a lack of competition and transparency. The financial sector is dominated by state-owned banks, and limited credit has flowed to the private sector.

9. **Economic growth was severely affected by the COVID-19 pandemic but is starting to recover gradually.** Real GDP growth declined sharply from 5.5 percent in 2019 to 0.5 percent in 2020, owing to the wide-ranging economic impacts of COVID-19—including the collapse of international tourism. Growth recovered to 2.5 percent in 2021, despite a COVID-19 outbreak in the second half of the year that led to stringent containment measures. The agriculture and industry sectors bolstered growth in 2021, supported by solid external demand from key trading partners. There was strong growth in exports of key agricultural products, such as cassava and rubber, while industrial sector growth was supported by mining, energy, and some manufacturing activities. However, the services sector—especially hospitality, transport, and other tourism-related services—continued to contract in 2021 due to COVID-19 containment measures.

10. **Limited revenue collection has constrained fiscal space and led to considerable expenditure curbs.** Revenue performance was a concern even before COVID-19, having declined from 22 to 16 percent of GDP between 2014 and 2019—owing to reductions in both grants and tax revenue. Relatively low tax rates coupled with a narrow tax base (partly due to corporate income tax exemptions) and poor compliance have undermined tax revenue collection. Total revenue further declined to 13 percent of GDP in 2020, mostly because of the impact of COVID-19 on tax revenue, although it recovered up to 15 percent in 2021, partly supported by higher grants. Meanwhile, public expenditure has been tightened by cuts to some discretionary expenses and the postponement of new investment projects. Total expenditure

declined from 25 percent of GDP in 2014 to 18 percent of GDP in 2020, and then further to 16 percent of GDP in 2021. The fiscal deficit deteriorated from 3.3 to 5.2 percent of GDP between 2019 and 2020, mostly because of lower revenues, but improved to 1.3 percent of GDP in 2021. Deferred debt service payments (owed to China in 2020-2022) have temporarily eased fiscal pressures.²

11. High public debt levels are fueling macroeconomic instability. Laos is facing both solvency and liquidity challenges, owing to significant financing needs, limited financing options, low foreign exchange reserves, and considerable depreciation pressures. Total public and publicly guaranteed (PPG) debt increased from 69 percent of GDP in 2019 to 89 percent of GDP in 2021 (\$14.5 billion).³ Over time, heavy borrowing by state owned enterprises (SOEs), high fiscal deficits (averaging 5 percent of GDP in 2015-2020), a steady deceleration of GDP growth, and exchange rate depreciation, have all contributed to a rapid deterioration in debt ratios. The energy sector, mostly represented by Electricité du Laos (EDL), has played an important role in public debt accumulation, accounting for about 42 percent of total PPG debt in 2021. There are also substantial contingent liabilities associated with public-private partnerships (PPPs) and non-guaranteed SOE borrowing, but these fiscal risks have not been adequately quantified yet. Having declined participation in the Debt Service Suspension Initiative (DSSI), the authorities have preferred direct discussions with bilateral key creditors. A joint WB–IMF Debt Sustainability Analysis (DSA) was prepared in early 2022. The Government did not agree to its public disclosure. The Ministry of Finance published a public debt bulletin for 2021 that includes on-lent and publicly guaranteed debt by currency and by state-owned enterprise, as well as the stock of expenditure arrears. The authorities have agreed to expand the coverage and granularity of the 2022 public debt bulletin to include non-guaranteed SOE debt and other known contingent liabilities.

12. Development expenditures have been under pressure from declining revenues and rising debt service obligations. In response to a deteriorating revenue collection performance, fiscal consolidation has been achieved through tight expenditure controls that, coupled with fast-rising interest payments, have squeezed the fiscal space available for development expenditures. The combined public spending on education and health declined from an already low level of 4.4 percent of GDP in 2016 to 3.1 percent of GDP in 2021, likely undermining public service delivery. In the absence of debt repayment deferrals, interest expenditures would have overtaken social spending already in 2022 (the cumulative value of deferred bilateral debt repayments stood at over 8 percent of GDP in October 2022 but the terms of any debt restructuring are not yet clear). Therefore, there is a need to balance debt management with critical spending for long-term economic growth.

13. The current account improved in recent years, but foreign reserve buffers remain very low. The current account deficit improved considerably in 2020 as imports of goods and services fell by a much larger amount than exports. Solid export growth in 2021, supported by stronger external demand and higher commodity prices, is believed to have improved the merchandise trade balance.⁴ In contrast, high external interest payments on public debt (despite recent deferrals) and a reduction in remittances partly offset the improvement in the trade balance in 2021. Meanwhile, foreign exchange reserves are low, which jeopardizes the government’s ability to meet external debt service obligations and would limit the central bank’s ability to support the currency and banks with weak dollarized balance sheets. The Bank of the Lao PDR (BOL) estimates that only 26 percent of export receipts actually enter the country’s financial system, which undermines the accumulation of foreign exchange reserves. Gross reserves stood at \$1.3

² These deferrals could rise to 8.3 percent of 2022’s GDP if they continue to end-2022 – taking into account the depreciation of the kip.

³ In 2021, a strong depreciation of the kip against the US dollar and a large issuance of domestic bonds to resolve expenditure arrears contributed to a very strong increase in the debt-to-GDP ratio.

⁴ However, merchandise imports might be underestimated according to the IMF’s Direction of Trade Statistics.

billion at the end of 2021, about two months' import cover. Meanwhile, external debt service requirements are estimated at over \$1.3 billion per year, excluding the repayment of recent debt deferrals. Fuel shortages were reported across the country in mid-2022 due to a combination of limited access to foreign exchange and price controls.

14. The Lao kip weakened significantly in 2021 and 2022, reflecting considerable external liquidity constraints. The kip depreciated by about 8 percent against the US dollar in 2021, but this period average masks the sharp trend observed towards the end of the year.⁵ Foreign currency liquidity shortages in the official exchange market caused a demand-supply mismatch, widening the spread between the official and parallel market rates, which reached 20 percent in August 2021. Greater exchange rate flexibility in the last three months of 2021 enabled the official rate to narrow this gap. Depreciation pressures reemerged even more strongly in the second quarter of 2022, with the kip depreciating by 68 percent against the US dollar in the year to October 2022. A weakened kip fuels domestic inflation and exacerbates external debt service costs, since most debt is denominated in US dollars.

15. Consumer price inflation has reached very high levels, which considerably undermines purchasing power. Consumer price inflation was moderate for several years before COVID-19. Inflation accelerated rapidly to 37 percent in October 2022, the highest level in 22 years, owing to the sharp weakening of the kip and rising international commodity prices (particularly fuel). Food and transport were the key categories contributing to overall inflation, accounting for 18 and 9 percentage points respectively. High inflation significantly undermines the purchasing power of households, raising poverty and food insecurity.

16. Vulnerabilities in the banking sector remain high, particularly in state-owned banks, and threaten to hamper private sector credit growth. The regulatory capital adequacy ratio (CAR) declined from 18.3 percent at the end of 2018 to 12.5 percent in mid-2021, before recovering to 18.6 percent in mid 2022. The recent improvement was partly due to the restructuring of two state-owned banks in late 2021. However, the CAR in the largest commercial (and state-owned) bank declined from 11.0 percent at the end of 2019 to 5.8 percent in mid-2022, which is below the prudential minimum of 8 percent.⁶ Non-performing loans (NPLs) as a share of total gross loans were reported at about 2.2 percent in 2021, but this masked vulnerabilities, including the extension of forbearance measures.⁷ Both return-on-equity and return-on-assets indicators have declined considerably since late 2019, limiting banks' ability to rebuild capital buffers. The banking system is highly dollarized and has recently experienced significant foreign exchange liquidity constraints. Private sector credit growth has decelerated in the past few years, going from 19 percent per year in 2015–17 to 7.2 percent in 2018–21. Private sector credit growth rebounded strongly in 2022, registering 43 percent annual growth through June 2022, though mostly driven by the depreciation of the kip, as 57 percent of private sector credit is denominated in foreign currencies. Access to credit continues to be identified as a top constraint for enterprises.

⁵ These values use period averages. The kip depreciated by about 19 percent against the US dollar in the year to December 2021.

⁶ SOBs still account for a sizeable market share (44 percent for deposits as of June 2022), which places other banks at a competitive disadvantage. In addition, credit growth has increasingly been linked to state-led investments, crowding out market driven credit (e.g. SMEs).

⁷ Official data such as financial soundness indicators (FSIs)—which include capital adequacy, non-performing loans, and profitability—are unreliable due to regulatory forbearance practices and 'evergreening' (whereby banks roll over or reprogram poorly-performing loans). Furthermore, accounting standards are weak, as the country is beginning the transition to the International Financial Reporting Standards (IFRS). FSIs are presented on an aggregate basis, which further limit their usefulness due to the dominance of state-owned banks, some of which do not publish financial statements.

17. **The COVID-19 outbreaks severely affected employment and earnings and, while employment has returned to its pre-pandemic level, the recovery of household income has been gradual.** Lockdowns, restrictions on economic activity, quarantine requirements, and social distancing measures led to a reduction in employment and working hours. A series of rapid monitoring phone surveys⁸ conducted by the World Bank covering the period April–May 2022 indicates that the share of employed adults returned to its pre-pandemic level in May 2022. However, 43 percent of households still experienced income losses during the pandemic and its aftermath, with half of those surveyed reporting income reductions of more than 50 percent.

18. **Economic recovery is contingent on successful debt restructuring.** GDP growth could accelerate to around 4 percent in the medium term (table 2), still below the pre-COVID rates given unaddressed structural constraints. The economic recovery could be underpinned by export growth – if external demand rebounds – and a gradual recovery of the services sector. Inflation in 2022 will reflect the strong exchange rate depreciation and elevated international oil prices. Fiscal space will remain very limited. The outlook assumes that ongoing bilateral debt renegotiations will provide debt relief, without which fiscal and external pressures would become insurmountable. Exports will likely benefit from the signing of the Regional Comprehensive Economic Partnership (RCEP)⁹ and the opening of the Lao-China railway (as well as the Thanaleng Dry Port and the Vientiane Logistics Park) in December 2021. However, the implementation of investment climate reforms and trade facilitation needs to be accelerated to boost private investment and exports – as well as to maximize the benefits from improved connectivity.

Table 2: Key Macroeconomic Indicators

	2019	2020	2021	2022f	2023f	2024f
Real economy			(annual percent change)			
Real GDP	5.5	0.5	2.5	2.5	3.8	4.2
CPI (period average)	3.3	5.1	3.8	19.0	7.2	6.1
Fiscal Account			(percent of GDP)			
Revenue (including grants)	15.6	12.7	14.9	14.6	14.9	15.1
Expenditure	18.9	17.9	16.1	16.1	16.8	17.2
Overall balance	-3.3	-5.2	-1.3	-1.5	-2.0	-2.0
Balance of Payments			(percent of GDP)			
Current account balance	-12.1	-5.9	-2.9	-2.9	-4.6	-4.9
Imports of goods and services	45.5	36.5	40.4	54.0	59.6	62.3
Exports of goods and services	37.6	35.2	42.1	55.5	60.2	62.6

Source: Government of the Lao PDR and World Bank staff estimates.

Note: The Lao Statistics Bureau (LSB) published real GDP growth estimates of 3.3 percent for 2020 and 3.5 percent for 2021. Merchandise trade data is taken from the IMF's Direction of Trade Statistics (DOTS).

19. **The outlook is subject to significant downside risks.** The global economy is being undermined by the protracted war in Ukraine, geopolitical tensions, and tighter macroeconomic policies (e.g., rising interest rates and the withdrawal of COVID-related support measures). Moreover, weaker growth prospects in key trading and investment partners such as China (due to its structural slowdown and zero-COVID policy) affect Laos through several channels, including lower external demand, higher commodity prices, and further exchange rate depreciation pressures. Domestic risks include challenges with refinancing external debt, slow progress with structural reforms, and a deterioration of bank balance

⁸ [WBLaoPDRSurveyBriefC19ImpactHHR5.pdf \(worldbank.org\)](https://www.worldbank.org/laos/publications/WBLaoPDRSurveyBriefC19ImpactHHR5.pdf)

⁹ The RCEP is a free trade agreement (FTA) between the ten member states of the Association of Southeast Asian Nations (ASEAN) (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) and its five FTA partners (Australia, China, Japan, New Zealand and Republic of Korea). The agreement went into effect on January 1, 2022.

sheets. In particular, the outcome of the ongoing bilateral debt renegotiation with China will have a strong bearing on several macroeconomic indicators. A fiscal adjustment alone will not be sufficient to improve debt sustainability without harming medium- and long-term growth prospects, as the debt overhang will undermine critical investments in human capital, crowd out private investment, and fuel macroeconomic instability.

2.3 Poverty and Shared Prosperity

20. **Laos made remarkable progress in reducing poverty from the early 1990s until around 2018: from 46.0 percent to 18.6 percent over 1992–2018 period (figure 1)**¹⁰. Despite this progress, poverty in Laos remains high compared to its regional peers. The international poverty rate based on the lower-middle-income poverty line, calculated as \$3.65 per person per day in 2017 Purchasing Power Parity (PPP), was estimated at 32.5 percent in 2018, compared to 22.4 percent in Indonesia (2021), 27.0 percent in the Philippines (2018), and 5.3 percent in Vietnam (2018).

21. **The pace of poverty reduction, however, was slow compared to the rate of economic growth and to other countries in the region.** In a span of six years from 2012 to 2018, a one percent increase in GDP per capita generated a decline in the poverty rate of only 0.52 percent (based on the lower-middle-income poverty line of \$3.65 a day in 2017 PPP), compared with 1.3 percent in Vietnam, 1.0 percent in the Philippines, and 1.7 percent in Indonesia.

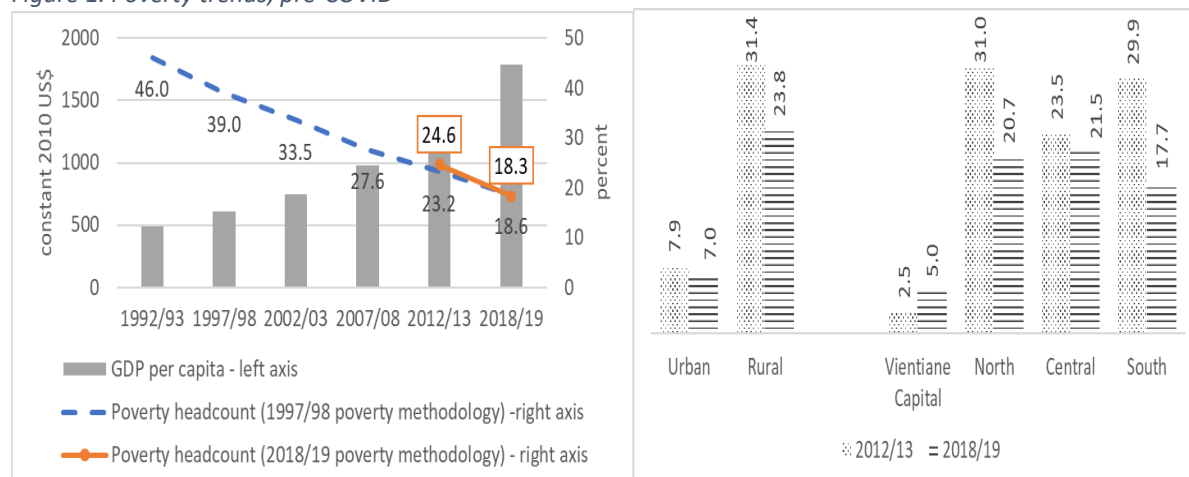
22. **GDP growth did not translate fully into progress on non-consumption measures of poverty.** In 2021 Laos was ranked 122nd in terms of per capita PPP GDP, but 140th in terms of its human development index (Human Development Report 2021/2022). The country's score on the 2020 World Bank's Human Capital Index suggests that a child born today will be 46 percent as productive when she grows up as she could be if she enjoyed complete education and full health, below the averages for the East Asia and Pacific region (59 percent) and lower-middle-income countries (48 percent)¹¹. In this context, the 9th NSEDP retains a strong focus upon the fulfilment of basic human needs and its alignment with the Sustainable Development Goals was strongly emphasized during its preparation.

23. **A lack of non-farm job creation limited gains in household income, especially at the lower end of the income distribution, weakening the impact of growth on poverty reduction and driving inequality.** The underdeveloped non-resource sector showed limited structural transformation. Household income growth and poverty reduction would have been faster if there had been a larger transition of economic activity and workers from the relatively low-productivity agricultural sector to higher-productivity non-agricultural sectors. Instead, poverty reduction was largely driven by rising farm incomes and remittances, as some agricultural households shifted from subsistence rice cultivation towards cash crops, and some workers migrated abroad in search of higher incomes. In 2018, 9 percent of households received remittances from abroad, and they represented 12 percent of recipient households' consumption. Rapid growth was also more favorable to the well-off. This seems to reflect the fact that gains from growth accumulated to better-off workers, especially those employed in the non-farm sector. While non-farm job creation stalled, real earnings among non-farm wage workers almost doubled between 2012 and 2018. The Gini index increased from 36.0 to 38.8 between 2012 and 2018, and the shared prosperity premium was negative: when the average growth rate of GDP per capita was 5.6 percent, household consumption per capita grew by merely 3.3 percent per year and around 1.9 percent among the bottom 40 percent.

¹⁰ The most recent national household survey, a primary source of official poverty statistics in Laos, was conducted in 2018.

¹¹ Lao PDR HCI Country Brief 2020 (updated in October 2022).

Figure 1. Poverty trends, pre-COVID



Source: Lao PDR Poverty Assessment (World Bank, 2020).

24. **Despite improvement in farm incomes, poverty remains highly concentrated in agriculture.** Households headed by an agricultural self-employed person and an unemployed person experience the highest poverty rates of 24.6 percent and 21.3 percent, respectively, and about 90 percent of unemployed household heads were farm workers who have become seasonally unemployed. These levels of poverty are significantly higher than those experienced by households headed by a non-farm self-employed person (4.5 percent) and a paid employee (5.5 percent). Households headed by an agricultural self-employed person or a seasonally unemployed person account for 55 percent of the population but constitute 75 percent of the poor.¹²

25. **Poverty remains high among ethno-linguistic minority households and households headed by low-educated persons.** Nearly 35 percent of those living in households headed by someone with no formal education are poor. This rate is just 3 percent in households headed by those with at least a completed upper secondary education. While poverty tends to be higher among minority ethno-linguistic groups, in recent years, the Hmong-lumien group fell further behind due to lagging farm productivity. The incidence of poverty has become highest among Hmong-lumien ethnic groups (38.4 percent), followed by the Mon-Khmer (32.7 percent), and the Sino-Tibetan (18.1 percent). Hmong-lumien ethnic groups constitute 19 percent of the poor, despite making up less than 10 percent of the population.¹³

26. **COVID-19 set back progress on reducing poverty, and mounting inflation has weighed negatively on households' purchasing power.** Employment disruptions and remittance losses due to return migration resulted in a decline in household income, while rising prices put pressure on households' purchasing power. Rapid household phone surveys conducted by the World Bank indicate that in May 2022, 43 percent of households had experienced a decline in total household income relative to pre-pandemic levels, with 21 percent experiencing a decline of more than half. At the same time, relief measures were inadequate, constrained by the country's tight fiscal space, leaving households at risk of falling into poverty. Rising food prices have resulted in households reducing food consumption (34 percent), switching to cheaper food options or hunting and gathering wild food (39 percent), and resorting to self-production (47 percent). Moreover, 65 percent of households reported that they had reduced education and health spending to cope with inflation, with rates higher among poorer and rural households. Compared to a non-COVID-19 scenario, the poverty rate (measured at the lower-middle-

¹² National Household Survey 2018

¹³ National Household Survey 2018

income poverty line or \$3.2 in 2011 PPP a day) is expected to have been higher by 1.5 percentage points in 2020 and by 2.4 percentage points in 2021. The projections suggest a total of about 170,000 additional poor in 2021 (those who were expected to be non-poor in 2021 prior to COVID-19 but are now expected to be poor in 2021).

27. Gender gaps have continued to narrow in terms of endowments, economic opportunities, and voice and agency, but gender inequalities persist:

- i. Laos has nearly achieved gender parity in primary school enrolment. However, the gender gap remains large for higher education and among the poorest. In particular, 42 percent of girls and 35 percent of boys are out of school at upper secondary school age, with the rates increasing to 76 percent of girls and 61 percent of boys for the poorest quintile. Ethnic minority girls are at a particular disadvantage.¹⁴
- ii. The Maternal Mortality Rate declined from an estimated 905 per 100,000 live births in 1990 to 185 per 100,000 live births in 2017. These rates nonetheless remain among the highest in South East Asia and continue to put women at risk, particularly in remote northern Provinces and among ethnic minority groups.
- iii. Early marriage and adolescent fertility remain a persistent challenge. Thirty-five percent of girls are married before their 18th birthday and 9 percent are married before the age of 15. In 2019, adolescent birth rates at 64 per 1,000 and child marriage rates were the highest in ASEAN—and among some of the highest in the world. Early marriages and pregnancy raise the risks for child stunting and maternal health, including maternal mortality. High adolescent fertility rates are strongly associated with little or no education and are likely to impact school retention rates for girls. Adolescent fertility rates are particularly high among some ethnic minority groups, going up to 192 per 1,000 among adolescents from Hmong-lumien communities.¹⁵
- iv. Female labor-force participation dropped by 15.8 percentage points from 81.8 percent in 2012 to 66 percent in 2018, in part consistent with a trajectory often associated with countries moving up the income ladder.¹⁶ A gender earnings gap that was not present in 2012 had also emerged by 2018.¹⁷ In the private sector, women received on average 10 percent less pay than similarly qualified men employed in similar occupations and locations. Women tend to be trapped in low-quality jobs. Around 86 percent of working women in Laos are self-employed, compared with the ASEAN average of 46 percent. Most of them are employed in agriculture or unpaid care work: women’s share of unpaid care work is four times that of their partners.¹⁸
- v. Women’s agency has steadily advanced in Laos. The representation of women in government is improving yet remains largely unequal, in particular at the local level. While Laos has one of the highest proportions of women in national parliaments, their participation at district and village levels remains very low (Lao Women’s Union, 2018).

¹⁴ UNICEF, 2019

¹⁵ UNICEF, 2019

¹⁶ Compared to a 9-percentage point decline in male labour force participation, from 87.4% to 78.4% during the same period.

¹⁷ WB 2020 Laos Poverty assessment (LECS 6 data).

¹⁸ OECD, 2021

2.4 Development Agenda

28. **While significant development progress has been achieved, several challenges have become more prominent since 2017, amplified by the COVID-19 pandemic.** Macroeconomic instability has increased, especially owing to a rising public debt burden that is also having an impact on development spending, the exchange rate, and the banking sector. While economic growth had been strong before COVID-19, recent evidence shows that it was mostly jobless. Environmental concerns and vulnerability to shocks have also escalated because of large infrastructure investments, land-use conversion, and climate change. These challenges, which have been intensified by the impacts of COVID-19, undermine sustained, inclusive, and resilient economic growth.

29. **The 2021 SCD update highlights three challenges that have become more salient since 2017:** (i) increasing macroeconomic instability; (ii) jobless growth with rising inequality; and (iii) growing vulnerability to climate change, environmental degradation, and shocks (e.g. the economic and health impacts of COVID-19). Meanwhile, governance and institutional weaknesses remain as pertinent as they were about five years ago.

30. **Based on these challenges, the SCD identifies three development pathways as critical for inclusive, resilient and sustainable growth. The ‘Stabilize’ pathway emphasizes the urgency of securing macroeconomic stability to protect living standards.** Rising public debt levels, eroding fiscal space, declining reserve buffers, and growing financial sector risks—challenges exacerbated by the COVID-19 pandemic and the economic pressures of 2022—underscore the need for urgent reforms. Securing macroeconomic stability will require measures to address macro-financial risks, such as improving debt transparency and management, creating fiscal space, undertaking key financial sector reforms, and supporting energy sector financial recovery.

31. **The ‘Share’ pathway highlights the need for a more inclusive growth process.** Fostering inclusive growth in the aftermath of COVID-19 will require building human capital and creating more and better employment opportunities. Investing in quality education and health care services to provide equitable access for all will help reverse human capital losses caused by COVID-19 and thus set the foundation for inclusive growth. Job creation connects growth to economic inclusion, since for many low-income households the labor market is the primary means of participating in and benefiting from economic growth. Strong employment creation will require a competitive private sector in an enabling business environment comprised of financial inclusion and access to finance, connective and resilient infrastructure to link people to economic opportunities and markets, and a well-functioning labor market and skills development system. The closing of gender gaps is a key component of this pathway. This will include a specific focus on addressing early marriage and high adolescent fertility rates through health interventions and community engagement, as well as attention to gender gaps in education (see Annex 8).

32. **The ‘Sustain’ pathway envisages the promotion of green growth and improved resilience to shocks.** Given that the livelihoods of most poor and vulnerable groups rely heavily on natural resources and agriculture, improving the management of natural resources remains critical to ensure that they are used in a sustainable and efficient manner. Agriculture has been the main driver of poverty reduction. Improving agricultural productivity and resilience thus warrants a top priority.

33. **Strengthening governance and institutions remains a critical cross-cutting challenge that affects progress in each of the three pathways.** Strong rules-based legal and market institutions are needed to support the role of private sector in promoting job creation, competitiveness, and productivity growth. A more sustainable growth model requires the robust management of natural resources, which in turn

requires a better enforcement of rules, coordination among institutions, and increased stakeholder involvement. Finally, improving institutional quality and the efficiency of public service delivery is key to achieving progress in all identified priority areas.

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

3.1 Government Program and Medium-term Strategy

34. **The CPF is aligned with the Lao PDR 9th National Socio-Economic Development Plan (NSED) 2021–2025.** The NSED sets out measures to graduate Laos from Least Developed Country (LDC) status by 2026, placing emphasis on public debt management, quality economic growth, social and environmental development, improved living standards, and increased preparedness for emergencies. It identifies six priority outcomes: (i) Continuous quality, stable and sustainable economic growth; (ii) Improved quality of human resources; (iii) Enhanced well-being of the people; (iv) Enhanced environmental protection and reduced disaster risks; (v) Engagement in regional and international cooperation and integration through robust infrastructure and effective utilization of national potentials and geographical advantages; and (vi) Public governance and administration. Implementing the National Green Growth Strategy and the Sustainable Development Goals 2030 remain key priorities. During an extraordinary session in August 2021, the National Assembly also approved National Agendas to be implemented in 2021-2023 to address two key pressing issues: economic and financial difficulties, and illicit drug control. Key elements under the first item include boosting revenue collection, managing spending, and promoting domestic products and production to reduce imports.

3.2 Proposed WBG Country Partnership Framework

35. **The CPF program supports three High-level Outcomes (HLOs) and prioritizes 9 CPF objectives from the 16 priorities identified in the SCD update (figure 2).** Table 1 summarizes the criteria used for CPF objective prioritization, namely the presence of conducive government policies and a WBG comparative advantage in terms of track record and ability to deliver measurable impacts during the CPF period, as well as in relation to complementary engagement by other development partners. The cross-cutting priority of strengthened governance and institutions is an embedded theme throughout the CPF. The three CPF HLOs are fully aligned with the high-level outcomes identified in the SCD, with some added specificity in the wording of HLO1 and HLO3 to more closely reflect the overlap between national priorities and WBG engagement. No additional objectives are introduced in the CPF that were not identified as priorities in the SCD (table 1).

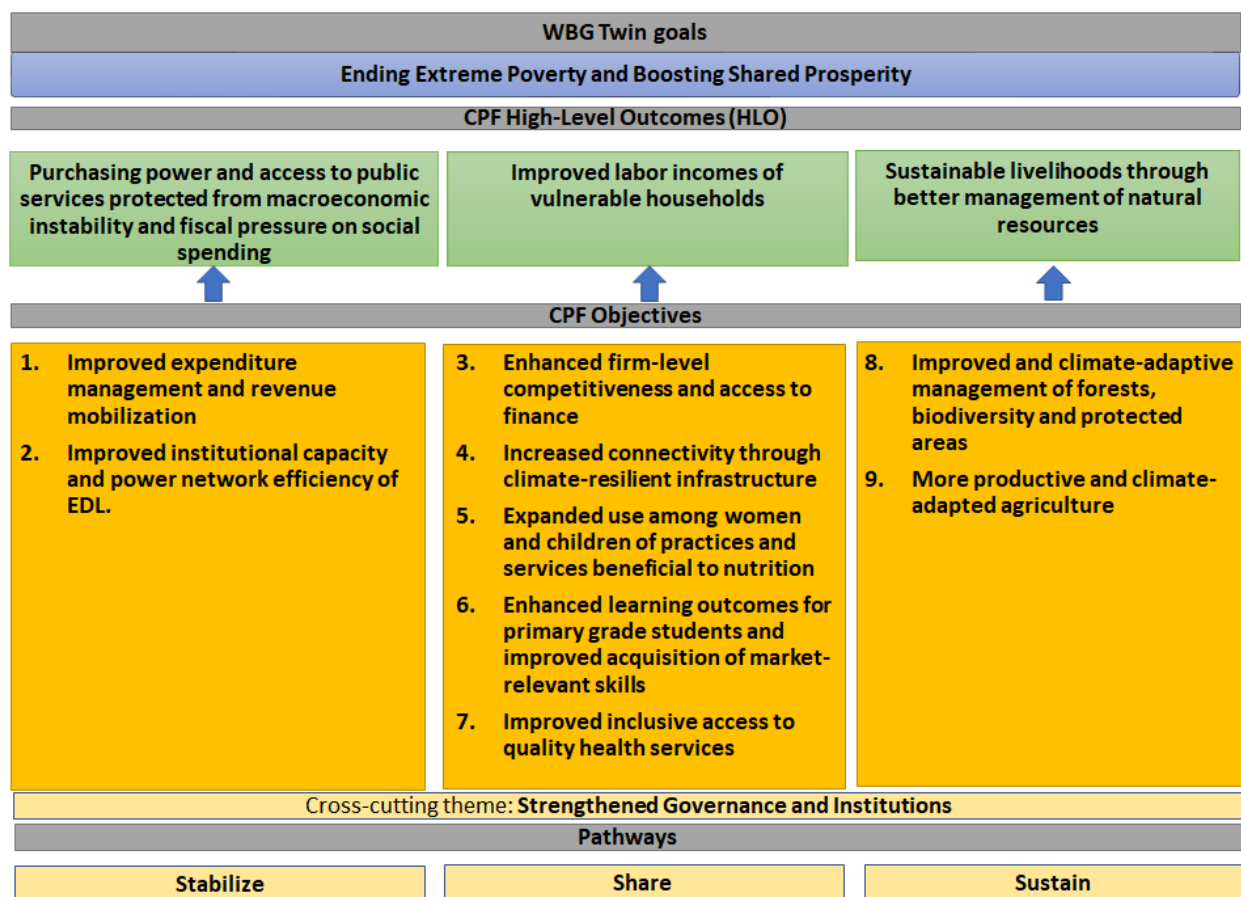
36. **There is broad continuity between the previous CPF and this one, both at the HLO and Objective level.** The first HLO continues the engagement on public finances, albeit without an explicit objective on debt and financial sector stability, and with an added focus on power sector efficiency (justified by the impact of inefficiencies upon the sector's financial performance). The second HLO is a continuation of the previous CPF's focus areas around reducing malnutrition, enhancing quality of primary and pre-primary education, and improving access to and quality of maternal and child health services. Given the emphasis on improving the labor incomes of vulnerable households, this HLO includes objectives around firm competitiveness and connective infrastructure that the previous CPF addressed in the context of supporting inclusive growth, as well as market-relevant skills development. The third HLO is aligned with the previous CPF's focus on protecting the environment, but with a greater emphasis on sustaining livelihoods that depend on natural resources than on disaster risk management.

37. **The CPF program is aligned with the IDA special themes and cross-cutting issues, which are reflected across the program and feature prominently under specific HLOs and CPF objectives.** These include pursuing Green, Resilient and Inclusive Development (GRID) strategies which are needed to repair the structural damage caused by COVID-19, climate change mitigation and adaption to facilitate a strong and durable recovery (HLO3), Jobs and Economic Transformation (HLO2), governance (cross-cutting theme), and gender and development (reflected across the ongoing and proposed Investment Project Financing (IPF) program, drawing from the Country Gender Action Plan (C-GAP). The WB will continue to work with government on debt management and transparency, in line with the IDA20 cross-cutting issue on debt. In addition, the CPF program will aim to contribute to selected IDA policy commitments. For example, the FY23 work program will deliver analytics on crisis preparedness, provide technical assistance and analytics on domestic revenue mobilization and adolescent pregnancy, as well as operations that support power grid efficiency, environmental regulation, and gendered statistics.

38. **The CPF program will also be aligned with the four pillars of the Global Crisis Response Framework (GCRF),** which sets the course for the WBG's operations response from April 2022 to June 2023. The CPF operations expected to be approved in FY23 will fall under CPF Objective 2 (Lao PDR Domestic Grid Optimization Project) and CPF Objective 8 (Lao Environmental and Waste Management Project), as well as under the cross-cutting theme of Strengthened governance and institutions (Strengthening the National Statistical System). These objectives and corresponding operations are aligned with GCRF Pillar 3 (*Strengthening resilience*) and Pillar 4 (*Strengthening policies, institutions and investments for rebuilding better*). In addition, the Southeast Asia Regional Economic Corridor and Connectivity (SEARECC) operation - approved in May 2022 - is aligned with GCRF Pillar 3 (*Strengthening Resilience*) and Pillar 4 (*Strengthening Policies, Institutions, and Investments for Rebuilding Better*).

39. **Program design was adjusted to address the impact of COVID-19.** For example, emergency assistance which will continue into the FY23–26 CPF includes support for medical preparedness and emergency response activities under the COVID-19 Response Project and a credit line for Small and Medium Enterprises (SMEs) under the MSME Access to Finance Emergency and Recovery Project. Technical assistance on domestic revenue mobilization under the Public Financial Management (PFM) Reform Program and the Public Expenditure Review (PER) responds to the shock to public revenues due to the pandemic. Project design (e.g. learning catch-up through the Global Program for Education III Project, and attention to new vulnerable groups through the Community Livelihood Enhancement and Resilience (CLEAR) Project) will reflect the pandemic's impact upon human capital and livelihoods. A pipeline of fewer new projects per year will place less demand upon government capacity and lead eventually to a consolidated portfolio.

Figure 2: The CPF Results Chain – ‘stabilize, share and sustain’



40. **The CPF is informed by the lessons learned from the CLR.** These include:

- i. **Exercise selectivity in tackling multi-sectoral development challenges.** The CPF recognizes that institutional change and complex inter-agency coordination efforts require long-term engagement and extensive support to systems and capacity building. The CPF will aim for a program which focuses these efforts on a limited set of key development challenges critical to Laos’ future and supports them through simpler interventions which build on established mechanisms, such as follow-on operations.
- ii. **Continue efforts to consolidate the program.** The CPF program will continue the consolidation process, resulting by FY26 in a less fragmented portfolio with fewer, but larger and more focused, operations with more realistic timeframes. The CPF program envisages an average of 3 new IPFs per year during the period FY23–26 (3 projects were approved in FY22), compared to an average of 5 new projects per year during the previous CPF period (FY17–21). Several of the newly planned operations are follow-on projects in order to benefit from the capacity and delivery mechanisms developed under the previous CPF.
- iii. **Apply realistic implementation timeframes for programs to achieve the intended results.** The CLR indicates that in most cases where development outcomes were not fully achieved, the reason was that more realistic timeframes and targets were needed. Where the current CPF continues engagements in areas where the previous CPF fell short of its targets (such as in

agriculture), timeframes will be set according to a more realistic assessment of implementation capacity.

- iv. **Use analytic work and project data, including through more systematic program assessments, to help mitigate data constraints and to guide the design of IPFs.** Drawing on instruments which the portfolio already uses to measure project impact (such as with nutrition and PRF), monitoring and evaluation, impact assessments and other analytical work will be used more systematically to identify and address data gaps, and to help make better informed and timely decisions on project design, extensions, scaling-up, and capacity building needs. Impact evaluations and studies of key social risks—such as the FY23 ASA on social risks related to natural resource access, and the FY22 Impact Evaluation of Early Childhood Education interventions—will help strengthen results focus across the portfolio.
- v. **Recognize that operational engagement in sensitive areas takes time, trust, and responsiveness to political realities, and that there are areas where government either does not want to engage with the Bank or to share the information required for engagement.** The Bank acknowledges that the ultimate macro-fiscal impact of its intensive engagement on debt, public finance, financial stability, and the power sector’s financial sustainability will be uncertain and long-term. Nonetheless it is important to sustain a strong program of analytical work on these topics for the purpose of advocacy. New channels of dialogue will also be explored in the framework of the National Agenda for Addressing Economic and Financial Difficulties, such as engagement with the National Assembly and the drafting, with the Asian Development Bank, of a policy reform roadmap.
- vi. **Focus engagement on objectives where the WBG program can have a demonstrable impact, ensuring clear linkages between high level outcomes, objectives, WBG interventions, and outcome indicators.** Taking into account the CLR lessons, and as noted in table 1 and previous sections, the CPF program centers around objectives where the WBG is expected to have material influence, and WBG support where government has requested it. In addition, the Results Matrix (RM) for this CPF was designed to strike a better match between the ambition of objectives and the reality of interventions. Where possible, indicators reflecting aggregate program contributions were used to capture the cumulative effect of engagement in each area, as is the case for CPF indicators on the power sector.
- vii. **Use of innovative approaches to cope with COVID-19 constraints upon engagement with stakeholders.** Remote working eventually helped both central and subnational entities to interact with the Bank, although the CLR warns about the need for counterparts, especially at the local level, to have adequate IT and translation resources. The Bank will work with government to expand virtual interactions and use of IT tools (such as street level imaging for the monitoring of road works, or online platforms to deliver training on nutrition activities). At the same time, proper balance with in-person follow-ups and interactions will be ensured, especially in contexts of lower capacity or higher risk.

41. **Earlier Independent Evaluation Group (IEG) evaluations support the need for increased program simplicity.** Over the decade to FY19, 72 percent of projects in Laos were rated by IEG as Satisfactory or Moderately Satisfactory, similar to the Bank-wide average. The reason for poor outcomes, when they occurred, was usually due to slow implementation, which reinforces the case for simplicity in project design. All IDA lending exiting in FY18–21¹⁹ received satisfactory outcome ratings, largely due to efforts

¹⁹ As of end-October 2021.

centered around improving projects' monitoring and evaluation, which led to more timely restructuring and improved results frameworks.

42. The design of the CPF benefits from a comprehensive consultation process with a diverse set of stakeholders, including government counterparts, civil society organizations, development partners, and the private sector. Two rounds of virtual consultations saw the participation of government agencies and academia; the private sector; and civil society, citizens and development partners. Stakeholders broadly endorsed the findings and pathways proposed and raised the following as priority issues—agriculture, education, access to credit for small and medium businesses and farmers, and the environment. Various provincial offices put forward local priorities, including local connectivity and support for returning migrants. The private sector raised concerns about the economy and debt situation, as well as specific sectors, including tourism and entrepreneurship. Several participants highlighted the need for a skilled workforce. Civil society partners emphasized the need to strengthen digital development and gender disaggregation in analysis.

43. The CPF program is aligned with the findings of the FY21 WBG Lao PDR Country Opinion Survey Report, where stakeholders identified education and public sector governance and reform as the top development priorities, followed by job-creation and employment, poverty reduction, and anti-corruption.

44. The CPF will draw on findings and recommendations from impact evaluations and other assessments of both closed and on-going operations to inform follow-on pipeline operations:

- i. Future investments in infrastructure and connectivity will pay close attention to climate resilience and the establishment of effective maintenance systems combined with efficient resource mobilization, while actively engaging participation of local communities, women, and ethnic groups in road rehabilitation and improvement. This has been linked to the sustainability of road assets and to wider spin-off effects, from improved access to social and economic services and facilities, to reduced transportation costs and time, improved logistics services, longer term income generation, and job creation opportunities²⁰.
- ii. In the education sector, the Early Childhood Education Project (ECE) impact evaluation revealed positive impacts on improving early childhood development in communities where the project has been implemented, as compared to communities where the project had not been implemented.
- iii. In the forestry sector, a Project Performance Assessment Report found that long-term forest management is sustainable when community ownership and benefits are shared, and there is support from a strong policy framework and political commitment²¹.
- iv. As the Multisectoral Nutrition Convergence Approach (MNCA) moves into its second phase, evidence-based corrective measures will be adopted. A household survey conducted under the flagship operation²² confirmed the importance of a robust monitoring and evaluation mechanism, but also revealed significant gaps in service utilization and high stunting rates among ethnic groups, making the case for improved spatial targeting, alignment, and synchronization of interventions. A mid-line survey for the MNCA is expected to be completed by the end of 2022.

²⁰ Beneficiary Assessment Report (October 2020) for the Lao Road Sector Project 2 (P158504), MPWT

²¹ Sustainable Forestry for Rural Development Project (SUFORD; P064886) Project Performance Assessment Report 2018.

²² Household Survey Results Supervision Report (August 2021) conducted under the Reducing Rural Poverty and Malnutrition Project (P162565), a flagship project for MNCA.

- v. The Southeast Asia Regional Economic Corridor and Connectivity Project intends to conduct a baseline survey and a follow-up survey toward the end of the project to measure its impact.
- vi. A Crisis Preparedness Gap Analysis (CPGA, FY23) provides a holistic assessment of the country's preparedness for shocks (pandemics, natural disasters, climate change, and food insecurity), building on sectoral analytics and operational engagements. The CPGA will help inform relevant operations over the CPF cycle.

45. **Activities under CPF objectives will also benefit from IDA financing for leveraging digital tools.** The Lao PDR Digital Opportunities programmatic ASA provided recommendations on how to accelerate the digital transformation of Laos by investing in digital connectivity, payments, skills, platforms, and digital government and services. Digital tools and solutions will be embedded in most investment projects, for example in the fields of expenditure management, access to finance, learning outcomes, health services and infrastructure asset management. The Bank will also coordinate with development partners, such as UNDP, who are engaged in the digital development agenda.

3.3 Objectives supported by the WBG Program

46. **The CPF applies three selectivity filters:** (i) alignment with HLOs and priorities identified in the SCD update; (ii) Government demand; and (iii) WBG comparative advantage and track record in Laos (table 1). Although Laos' development prospects depend largely upon improved debt sustainability, the WBG does not currently have a significant influence on its key determinants: public investment and contingent liabilities from PPPs, revenue rates and exemptions, and debt restructuring. In addition, while financial stability risks are closely tied to the debt situation, and the WBG provides advisory services on prudential regulation, the enactment and implementation of its recommendations are uncertain. In keeping with the CLR's recommendation on realistic targets, therefore, the CPF does not set objectives in terms of debt sustainability or financial sector stability. Nonetheless, the WBG will step up ASA on these topics so that the analytical and technical foundations are in place for such time as policies permit the requisite structural reforms.

HLO1: Purchasing power and access to public services protected from macroeconomic instability and fiscal pressure on social spending

47. **Social spending has been hampered by declining revenues and rising debt service obligations, leaving many people at risk of falling into poverty.** Following sovereign rating downgrades in 2020 and 2021, a growing debt burden (coupled with a weak fiscal framework, low foreign currency reserves, and limited financing opportunities) has led to significant difficulties in meeting debt service obligations. The state-owned Électricité du Laos alone accounts for around 37 percent of PPG debt. In response to rising debt and poor revenue collection performance, fiscal consolidation has been achieved through tight expenditure controls that, coupled with fast-rising interest payments, have squeezed the fiscal space available for development expenditures. Combined public spending on education and health has been declining from an already low level of 4.4 percent of GDP in 2016 to 3.1 percent of GDP in 2021. If bilateral debt repayments had not been deferred, interest expenditures would have overtaken social spending in 2022.

48. **The World Bank will intensify dialogue with the government on debt management and financial stability in order to maintain a state of readiness to respond to a credible reform program.** Support to GOL in implementing the IDA Sustainable Development Finance Policy (SDFP) Performance and Policy Actions (PPA) in FY21 and FY22 led to Laos' compliance with a non-concessional borrowing (NCB) ceiling

(that only allowed the contracting of new debt to meet the amortization of existing non-concessional debt) and the publication of an annual public debt bulletin. Support will continue in implementing the FY23 PPAs, which focus on debt reporting by government and state-owned enterprises, as well as new non-concessional debt. The World Bank is supporting an upgrade to the Debt Management Financial Analysis System (from DMFAS 5 to DMFAS 6), coupled with capacity building for system users, which will support the publication of the annual debt bulletin. A Debt Management Performance Assessment (DeMPA) was completed in 2019, technical assistance was provided for the drafting of the public debt law and training to the staff of the debt department of MOF has been conducted. The dialogue and analytical work around EDL debt and operational sustainability continues; it identifies measures to enhance the operational and financial sustainability of EDL and improve governance and regulation in the energy sector. A corporate governance assessment of EDL was completed in FY22.

49. However, Government's preference to engage on debt management directly with bilateral creditors and without international finance institution (IFI) participation limits the extent to which the WB can influence debt sustainability outcomes. Authorities expect growth, domestic revenue mobilization, and improved access to international capital markets to reduce debt pressures from 2024 onwards. While the SCD priority of 'sustainable debt levels' is not an explicit CPF objective, the first CPF objective on improved expenditure management and revenue mobilization will contribute to the achievement of overall fiscal sustainability. In addition, the World Bank will intensify its analysis and advice to government and the National Assembly on debt sustainability.

50. While financial sector stability is also not an explicit CPF objective, the WBG program will continue to support financial sector stability and improved access to finance. For example, the Financial Safety Net Project utilizes Performance Based Conditions (PBCs) to incentivize the implementation of reforms such as the establishment of a multi-agency Financial Stability Committee, and the development of critical secondary regulations aimed at preventing and managing problem banks. These efforts are complemented by technical assistance supporting financial stability (improving the legal and regulatory framework, deposit insurance, risk-based supervision, early warning system, and the shift to BASEL II standards), financial infrastructure, and access to finance.

CPF Objective 1: Improved expenditure management and revenue mobilization.

51. Increasing fiscal space, through stronger domestic revenue mobilization and the reduction of operating losses in the power sector, will be critical to secure adequate spending on development priorities, including access to public social services. WB investments will aim to improve the timeliness and transparency of financial reporting by supporting the implementation and rollout of an Integrated Financial Management and Information System (IFMIS) that will provide detailed and timely budget data to inform planning, monitoring, and policy and decision making. Support will also be provided to improve the capacity of the tax administration to collect revenues by facilitating taxation of the digital economy, strengthening the performance of the GoL Tax Department, and improving records management. On the analytical front, support will focus on revenue mobilization, SOEs, and addressing PFM bottlenecks in the education sector. These engagements, supported by DFAT and potentially by the EU, are executed in collaboration with partners, such as the IMF and ADB. IFC and the IDA Private Sector Window (PSW) are supporting the development of a dry port facility and logistics park in Vientiane which could contribute to fiscal space through the generation of government revenues and indirect taxes and fees from trade, while facilitating international fund flows into Laos.

CPF Objective 2: Improved institutional capacity and power network efficiency of EDL.

52. **Given the burden placed by the power sector, and Électricité du Laos in particular, on public debt, and the resulting fiscal pressure on development spending, the Bank’s energy sector engagement will focus on improving EDL’s institutional capacity and the efficiency of Laos’ power sector.** Under the WB program, investments would aim to reduce losses in rehabilitated substations by an estimated 6 percent and increase the power flow of the system by 7.5 percent. Analytical work will analyze ways to utilize Laos’ excess power supply, focusing on energy trade with regional partners as well as increased domestic demand. ASA will also identify measures to enhance the operational and financial sustainability of EDL and to improve governance and regulation in the energy sector. MIGA will seek opportunities to support export-oriented power projects, building on the Agency’s previous experience with the Nam Theun 2 hydropower plant (the guarantee for the Nam Theun 2 project expired in May 2022).

HLO2: Improved labor incomes of vulnerable households

53. **Laos’ jobless growth in recent years has prevented households from benefiting from inclusive economic expansion.** While GDP growth averaged about 7 percent between 2003–2019, it had been decelerating before COVID-19—steadily declining from 8 percent in 2013 to 5.5 percent in 2019. Economic growth has not created jobs, as unemployment rose from 4.1 to 15.7 percent during 2012–2018 and while inequality has increased. This trend exposes the limitations of a growth pattern that has been capital-intensive, resource-driven, and debt-fueled. The domestic private sector has been hampered by lack of competition and transparency. The financial sector is dominated by state-owned banks, and there has been limited credit flow to the private sector. In addition, limited social protection system coverage and the impact of COVID-19 mean that large segments of the population, especially low-income earners employed in the informal sector, remain particularly vulnerable to employment and income shocks. Government financial assistance for those unemployed because of the COVID-19 pandemic was only available to workers with access to the social insurance scheme, who accounted for only 3.1 percent of people employed pre-pandemic. An overwhelming share of workers who lost their jobs was thus left without any livelihood support.

54. **Fostering inclusive growth will require improving the labor income of vulnerable households, which will entail building human capital and creating more and better employment opportunities, while safeguarding social protection.** A more dynamic private sector will be crucial to generate sufficient job opportunities. Learning outcomes, undermined by COVID-19, must be enhanced to boost entrepreneurship and to ensure that prospective workers have the required skills. Connective infrastructure (comprising both transport and digital dimensions) remains important for spatial development and for ensuring equal access to markets and public services. Reducing stunting must remain a high priority, given its impact on human capital productivity. Equitable access to quality health services continues to be vital to ensure healthy and productive workers.

CPF Objective 3: Enhanced firm-level competitiveness and access to finance.

55. **A dynamic and competitive private sector will be key in reversing Laos’ trend of jobless growth and thus contribute to improved labor incomes for vulnerable households.** Unlocking Laos’ trade and export potential will require greater integration into regional markets, more seamless cross-border transit, improved logistics and value chains, a more supportive business environment, and increased competitiveness. In parallel, measures will be needed to offset the long-term impact of COVID-19 on the private sector, including providing increased access to finance. During the COVID-19 epidemic, almost half

of all firms were reporting cashflow shortages and more than a third have delayed some payments for more than a week. While a relatively low share of firms has filed for insolvency, more than a quarter of businesses were expecting to fall into arrears over the next six months as of May 2021.²³ Looking forward, the establishment of formal risk management and hedging facilities, such as currency swaps and credit guarantees, would help banks to manage risks when lending to private firms.

56. The WBG program will provide support on the regulatory and policy fronts as well as on facilitating firms' access to markets and financing for MSMEs, while also improving the resilience of firms affected by COVID-19 and the 2022 economic crisis. WB investment operations will be complemented by analytical and advisory work aimed at simplifying business regulations, facilitating trade, developing the Lao capital market and improving firm-level competitiveness. The ongoing WB program focuses on improving the resilience of firms directly affected by COVID-19 and the 2022 economic crisis, and it is complemented by efforts to enhance access to finance for MSMEs. IFC's strategic priority to increase financial inclusion is carried out by supporting access to local currency finance for SMEs and Women Owned SMEs, through investment and advisory services to financial intermediaries, and with green finance. IFC has also started scoping a Digital Transformation advisory project in the financial sector, in coordination with the World Bank. To support employment, the WB program will support an assessment of skills needs in priority sectors, strengthening of public employment services, and labor market information systems. This will complement ongoing support and hands-on technical assistance on social protection, skills and jobs.

CPF Objective 4: Increased connectivity through climate-resilient infrastructure.

57. Addressing critical gaps in connective infrastructure will be essential to achieving inclusive and sustainable growth. Improved regional and domestic transport connectivity facilitate access to markets, public services, and logistics services, which can also boost private sector activity, trade, and job creation. The 9th NSEDP and the Transport Sector Strategy and 5-year Plan (2021-2025) include regional connectivity and integration among their key strategic priorities. The fifth objective of the 9th NSEDP includes robust infrastructure development, utilization of the country's potential and strategic location, and active engagement in regional and international cooperation and integration. The 9th NSEDP also highlights the need to optimize the benefits from the Lao-China railway, with a focus on eco-tourism, agriculture, livestock, value chains and the improvement of road connectivity between the railway corridor and agriculture production areas and tourism sites.

58. The WB will continue to support climate resilient connective infrastructure, investment prioritization, and road safety. The ongoing Southeast Asia Regional Economic Corridor and Connectivity (SEARECC) Project will support regional and domestic trade and transport connectivity along the major East-West corridor linking northern Laos with Thailand and Vietnam, including cross-border management efficiency, agriculture trade facilitation, logistics services, access to rural communities and agriculture production areas, multi-modal transport planning, and road safety. Ongoing WB support will be scaled-up to improve domestic transport connectivity focusing on provinces and rural areas with high poverty rates, and on improving climate resilience and safety of prioritized roads which are critical to access key services such as schools, hospitals, markets, agriculture production areas, as well as other economic opportunities. Analytical work will also support economic corridor development, green urban mobility, and improving the enabling environment for PPP. The transport infrastructure program will continue to

²³ World Bank Business Pulse Survey, conducted in April-May 2021.

embed policy, institution, and capacity building work, for example in supporting the development of a multi-modal transport framework under the SEARECC project and the update of the government's Transport Sector Strategy. IFC will explore infrastructure investment opportunities in an inland intermodal terminal and logistics park, building on existing advisory engagements. Backed by the IDA Private Sector Window (PSW), it is leveraging its international expertise in Environmental and Social Performance Standards to support a sustainable integrated dry port facility and logistics center in Vientiane Capital. MIGA will explore opportunities to support infrastructure projects through its political risk insurance products.

CPF Objective 5: Expanded use among women and children of practices and services beneficial to nutrition.

59. **According to the latest Human Capital Index (2020)²⁴, a child born in Laos today will be only 46 percent as productive as she could have been if she had complete education, good health and a well-nourished childhood.** A key underlying reason for the lag in human capital is childhood undernutrition, which impairs health, cognitive development and earnings throughout an individual's life. About 33 percent of children under five years in Laos are stunted, 21 percent are underweight, and 9 percent are wasted (having low weight for height). The poor, ethnic minorities, rural children, and the upland areas of the country are affected disproportionately. The proximate causes are related to food security, maternal and child caring practices, personal hygiene, and limited access to essential health and nutrition services, clean water, and sanitation.

60. **WBG engagement will continue to address stunting through a multi-sectoral nutrition convergence approach.** Under the GoL's National Nutrition Strategy (NNS), the National Plan for Nutrition (NPA) adopts a multisectoral convergence approach, bringing together the services of agricultural, social, health and education ministries in targeted geographical areas. The World Bank is supporting this Multisectoral Nutrition Convergence Approach (MNCA) with a number of projects targeting the same villages and, where applicable, the same households, with synchronized interventions. During the CPF period, the Bank will continue to focus on villages targeted under the previous CPF, recognizing that reducing chronic malnutrition is a long-term process, and approve follow-on projects where required. The Bank will pay particular attention to encouraging collaboration at the point of delivery between different ministries, the strengthening of delivery capacity, and impact measurement. At the institutional level, the program will support the implementation of a nutrition-sensitive social assistance program, including a household targeting system and creation of a social registry for more effective program delivery. Based upon the emerging results of the ongoing projects, the Bank intends a geographical expansion of its support.

CPF Objective 6: Enhanced learning outcomes for primary grade students and improved acquisition of market-relevant skills.

61. **Enhanced learning outcomes allow prospective workers to have the required skills to qualify for job opportunities, as well as to boost entrepreneurship, thus contributing to improved labor incomes.** While Laos has made substantial progress in improving access to basic education, enrollment rates have slightly declined in recent years and learning outcomes remain low. Some 42 percent of Grade 3 students do not master basic proficiency in the Lao language. In mathematics, nearly 80 percent of Grade 3 pupils fail to demonstrate the expected skills.²⁵ Lao students also fare poorly in subsequent grades: 90 percent

²⁴ HCI 2020 (updated October 2022)

²⁵ Demas, A., Khan, M., Arcia, G., Danchev, P., Phommalangsy, P., & Huang, H. (2018). Delivery of Education Services in Lao PDR.

of Grade 9 students have only basic proficiency in the Lao language and more than 90 percent do not meet basic proficiency in math.²⁶ At the tertiary level, Laos' gross enrollment ratio fell from about 17 percent in 2010 to about 13 percent in 2020.²⁷ Unprepared learners, ineffective and poorly managed teachers, and weak system governance underlie these challenges.

62. The WBG program will focus on strengthening learning outcomes in primary grades and technical and vocational education and training (TVET). The ongoing program will continue to support learning outcomes in primary grades, including preparing young learners for grade one, strengthening teacher quality, and improving school governance. On the skills front, WB support will help make the training system more agile, equitable, responsive to labor market needs. It will do so by modernizing the TVET curriculum and investing in a select number of TVET institutions. The WB program will also support better job matching and increasing youth employability by strengthening the service delivery capacity of employment services, skills development and employment generation support for priority groups. Given the challenges school systems face in managing human resources, the WB program will also support modernization of human resource management tools, systems, and policies in education through cross-cutting support with the Governance, Digital, and Health Global Practices.

CPF Objective 7: Improved inclusive access to quality health services.

63. Access to affordable and quality health services ensures healthier people with higher earning potential and prevents the vulnerable from falling into poverty when facing health shocks. While health insurance coverage has substantially improved, access to affordable quality healthcare services remains limited among low-income households living in rural and remote areas. The government introduced national health insurance in 2016, increasing the coverage of social health protection schemes to 94.3 percent of the population. However, effective service coverage is limited, and it remains difficult for low-income households living in remote areas to access quality healthcare services.

64. The CPF program will focus on providing access to quality health services to vulnerable groups and underserved areas. WBG investments will support the delivery of quality reproductive, maternal and child health and nutrition services at the decentralized levels, with an increased focus on underserved regions. In order to stimulate demand for and utilization of health and nutrition services, support for conditional cash transfers to poor households will be scaled-up. At the institutional level, WBG support will aim to improve financial flows and the sustainability of the National Health Insurance scheme. The COVID-19 Emergency Response Project will continue to support preparedness and emergency response activities, including vaccinations, infection prevention and control, case detections, case management and treatment, risk communication, and the upgrade of the skills of health care workers. Interventions under CPF Objective 4 will also contribute to providing inclusive access to health services through (i) investing in transport connectivity focusing on provinces and rural areas with high poverty rates, and (ii) improving climate resilience and safety of prioritized roads which are critical to access key services such as hospitals.

HLO3: Sustainable livelihoods through better management of natural resources

65. Laos' rich natural resources and biodiversity play a key role in the country's economic development prospects and resilience. The livelihoods of the Lao population are directly dependent on forests, land, and related resources including non-timber forest products. Natural resource-based sectors

²⁶ Lao PDR Ministry of Education and Sports, European Union and UNICEF. 2022. Assessment of Student Learning Outcomes Grade 9 Report, Lao PDR.

²⁷ UNESCO Institute for Statistics.

contributed one-third of GDP in 2018, and the Lao natural capital value of assets was quantified at \$149 billion, with 78 percent coming from water and forests and a further 22 percent from agriculture. Natural resources have been especially valuable in times of COVID-19 when thousands of migrant young laborers returned home unemployed and without income.

CPF Objective 8: Improved and climate-adaptive management of forests, biodiversity, and protected areas.

66. **Improving the sustainable management of Laos' natural capital remains critical to ensure that it continues to deliver benefits for the population, particularly the poorest and most vulnerable.** While Laos is rich in natural resources, environmental degradation poses a threat to sustainable development and household livelihoods. Forest cover decreased from 61 percent to 58 percent between 2000 and 2015 as a result of agricultural expansion, mismanaged forest plantation development, shifting cultivation and unsustainable timber harvesting. With the implementation of the logging ban in 2016, forest cover began to rise again reaching 62 percent by 2020. The target of 70 percent forest cover in Laos by 2020 was postponed to 2030. Land rights of individuals and communities remain unclear within state forest areas, affecting mainly non-Lao-Tai ethnic groups. Rapid hydropower development over the last 10 years has also outstripped the Government's capacity to regulate the sector, affecting fisheries, agriculture, and disaster risks.

67. **Under the CPF, WB's support for natural resource management will be strengthened further.** Program support will include land use planning, forestry livelihoods, resilient village-scale infrastructure, the development of ecotourism related to protected areas, the improvement of tenure security and land administration in selected forest areas, and law enforcement against illegal wildlife trade and natural resource extraction. The analytical program will develop climate and disaster risk screening toolkits, integrate climate risk considerations into national investment guidelines, and support policies for green jobs (such as in the waste management and ecotourism sectors). A proposed dam safety operation in the outer years of the CPF would support strengthening the institutional and legal framework to improve the safety of dams and resilience of downstream communities and ecosystems. Analytical and technical assistance programs will also support the dialogue and investments on green growth. A joint WBG Country Climate Development Report (CCDR) will identify opportunities for climate actions by the public and the private sectors. IFC will continue to support clean/renewable energy generation capacity and explore private sector wind and solar energy opportunities. IFC will support sustainable forestry through its advisory engagements and will continue to provide ad hoc client-based advisory services to help private sector stakeholders manage environmental and social risks. Furthermore, IFC will explore investment opportunities in agroforestry projects that promote sustainable linkages with smallholders and communities. MIGA is working with foreign investors to explore providing political risk guarantees in support of an agroforestry project consisting of a large-scale eucalyptus plantation and associated wood-processing facilities that will respect very high responsible and sustainable forestry standards (FSC certified). Beyond offering political risk mitigation solutions, MIGA is seeking to support technical assistance to the project enterprise through the Fund for Advancing Sustainability Trust Fund.

CPF Objective 9: More productive and climate-adapted agriculture.

68. **Agriculture constitutes 60 percent of employment, but levels of labor productivity are low and farm income remains vulnerable to climate and price shocks.** Between 2015 and 2020, agricultural growth averaged 2.3 percent per year but most of this agriculture growth has come from an expansion of the land under cultivation, often at the expense of forest cover, rather than through productivity improvements; value-added per worker per year is \$863 (2019, constant 2010 US dollars), compared with

\$1,348 in Cambodia and \$1,313 in Vietnam. Farm income is also vulnerable to external factors including volatile agricultural prices, climate shocks, pests, and other natural disasters. The sector also employs 83 percent of women. However, female-headed households have less access to agricultural land and productive assets, information, extension services and training, labor, credit, and markets than male-headed households. With less than 20 percent of rural lands titled, access to formal credit is limited, hampering households' ability to cope with shocks and disincentivizing them to invest in their land and improved agricultural practices. Given the links between raising agricultural productivity and farm incomes, this objective will also contribute to HLO2 (Improved labor incomes of vulnerable households).

69. **The WBG program will support climate-adaptive agriculture practices, with a focus on smallholder farmers, especially women and youth, and areas with high potential to reduce poverty.** The program will support increased adoption of improved varieties and high-quality seeds, increased application of good agricultural practices, provision of critical productive infrastructure, improved tenure security and land administration services in selected areas, and measures to better link farmers, including female heads of households, to markets. The program will also support economic clusters, with a focus on women, targeting areas that have high poverty and high potential for high-value products and value chain development. Analytical work will support selected smallholder value chains, with a focus on women. IFC will explore upstream and mainstream opportunities to invest in the agricultural sector at relevant stages along the value chain. In collaboration with WB and IFC, MIGA will seek to support cross-border investment in the agricultural sector through its political risk guarantees.

Cross-cutting theme: Strengthened governance and institutions

70. **Strengthening governance and institutions will be a cross-cutting theme supporting all CPF objectives.** The WBG program will support interventions aimed at enhancing governance and institutions through IPFs and ASA activities, and by mainstreaming institutional strengthening activities. Examples include institutional capacity support in the areas of financial reporting and tax administration (Objective 1), a focus on institutional capacity of EDL (Objective 2) policy, institutional, and capacity building in the transport sector (Objective 4), institutional support for the implementation of a nutrition-sensitive social assistance program (Objective 5), support towards improving education sector governance (Objective 6) and financial flows and sustainability of the National Health Insurance scheme (Objective 7), and sector capacity and policy support under Objective 8 and 9. WB support will focus on building government capacity, systems and processes, addressing pervasive data constraints, improving the government's ability to identify problems, make evidence-based policy decisions, and transparently monitor the effectiveness of reform efforts. The WB Program will also aim to improve the effectiveness of the public sector through interventions aimed at strengthening policy formulation, coordination and implementation at the center, in line ministries and in SOEs. Transparency and accountability are expected to be enhanced by building the capacity of the National Assembly.

3.4 Implementing the CPF

The CPF includes operations under IDA20 (FY23–25), and IDA21 (FY26). IDA20 final allocations amount to SDR 176.1 million or \$231.5 million equivalent (November 30, 2022 spot exchange rate).²⁸

²⁸ References to IDA20 and IDA21 volumes are indicative. Actual performance-based allocations (PBA) will be determined annually and will depend on: (i) total IDA resources available; (ii) the number of IDA-eligible countries; (iii) the country's

71. **Financial management (FM) capacity remains weak, undermining the full use of country systems for project financial management.** The weakness is driven by low skills among government staff, a low quota for FM staffing and an acute shortage of Financial Management consultants on the Lao market. Capacity at sub-national level is especially weak. The other FM sub-systems including accounting, internal controls and funds flows arrangements mostly rely on government systems that are being strengthened through the broader PFM engagement. Reforms aimed at strengthening government budget preparation and control systems, treasury management, accounting, and financial reporting under E-FITS and the PFM Reform Program are in progress and contributing to strengthening country systems.

72. **Procurement capacity remains weak.** The 2019 Public Expenditure and Financial Accountability (PEFA) assessment rated the Laos procurement system as generally weak in all four dimensions of (i) procurement monitoring; (ii) procurement method; (iii) public access to procurement information; and (iv) existence of an independent procurement complaint-handling system. The government passed Laos' first-ever comprehensive Public Procurement Law in November 2017. Since then, with funding from the EU administered by the WB, the Ministry of Finance has implemented measures to strengthen the capacities of the Public Procurement and Price Monitoring Division of MoF and to support the implementation of the law. However, procurement capacity remains weak, as reflected in implementation issues in WB funded projects, such as delays, lack of procurement knowledge, high turnover of implementing agency staff, and occasional integrity issues.

73. **In FY22, the 2022–26 Lao PDR Country Gender Action Plan (C-GAP, Annex 8) was prepared.** The C-GAP identifies priority gender inequalities with significant impacts upon poverty reduction, including specific actions whereby the WBG will address them. It focuses on addressing gender gaps in four key areas: (i) early marriage, adolescent pregnancy and high maternal mortality rate; (ii) the skills gap between women and men, with a focus on technical and vocational education; (iii) equal opportunities for men and women to participate in livelihood activities and wage jobs; and (iv) the participation of women in planning and decision making at the local level. The C-GAP is aligned with the five-year *National Plan on Promoting Gender Equality* and the 9th National Socio-Economic Development Plan (NSED) 2021–25.

74. **The CPF program will pursue increased focus both through program design and portfolio consolidation.** Project design will aim for fewer, larger components with fewer activities and implementing institutions. Portfolio consolidation will be reflected in the approval of fewer, larger operations. An average of three new IPFs per year are planned during the period FY23–26, compared to an average of five new projects per year during the previous CPF period (FY17–21). Several of the newly planned operations are follow-on projects for well-performing and impactful programs.

75. **Complementarity with development partners (DPs) will continue** (Annex 7). The World Bank program benefited from joint programs and co-financing mechanisms, particularly in the areas of transport, rural development, health, governance, trade, and private sector development. The green growth agenda, trade facilitation, private sector development, debt management, and PFM are supported through Trust Funds. Laos utilizes Round Table Meetings, co-led by government with support from the United Nations, as the country platform for DPs coordination on development agendas. The World Bank co-chairs sector working groups in infrastructure, the macroeconomy, and natural resources and the environment.

performance rating, per-capita gross national income, and population; (iv) implementation of IDA's Sustainable Development Finance Policy (SDFP); and (v) the performance and other allocation parameters for IDA borrowers.

IV.MANAGING RISKS TO THE CPF PROGRAM

76. **The overall risk to the WBG program is rated Substantial.** As shown in Table 3, the main risks are macroeconomic (rated High), institutional capacity, fiduciary, and environmental and social, (all rated Substantial after mitigation). The ‘moderate’ and ‘low’ ratings for risks related to *politics, governance, sector strategies and policies*, and *stakeholders* reflect the CPF’s focus on service delivery where a stable policy consensus exists, often through follow-on projects, rather than on more challenging reforms.

Table 3: Systematic Operations Risk-Rating Tool (SORT)

Risk Categories	Risk Rating
1. Political and governance	M
2. Macroeconomic	H
3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	S
6. Fiduciary	S
7. Environmental and social	S
8. Stakeholders	L
OVERALL	S

77. **Macroeconomic risks are assessed as High.** Risks associated with debt sustainability and stability of the financial sector could hinder the achievement of the CPF objectives. A macroeconomic crisis originating from debt service obligations, the balance of payments, the fiscal deficit or the banking sector would jeopardise all HLO2 and HLO3 objectives by directly compromising investor confidence and fiscal space. It would further impair public spending on education, health care, social assistance, disaster recovery, road maintenance, and nutrition. Although authorities have been making efforts to mitigate debt service-related risks through bilateral engagement with creditors, the outcome of such negotiations remains uncertain. To partially mitigate macroeconomic risks, the Bank will intensify technical assistance and policy dialogue on the overall macro-fiscal agenda, including the energy sector. Performance and Policy Actions (PPA) under the IDA SDFP would target debt stabilization. Public Expenditure Reviews will make the case for priority social sector financing, while the WB financial sector IPF and ASA program will help mitigate risks related to financial sector stability. Performance-based financing will incentivize priority health expenditures and IPFs will in general be designed to deliver results in a tight budgetary environment.

78. **Institutional capacity for implementation and sustainability risks are rated Substantial.** Barriers to the implementation of the WBG program include limited capacity of government agencies; lack of clear incentives and systems to enhance accountability and performance; and highly centralized decision-making and weak coordination among ministries. In recognition of these risks, the CPF program will maximize delivery through established and proven institutional mechanisms, such as the Multisectoral Nutrition Convergence Approach under the Ministry of Planning and Investment (MPI), follow-on projects, simplified project design, and institutional strengthening activities. The Bank will continue to provide close support to address implementation bottlenecks. IPFs in new domains will be approved late in the CPF period in order to allow time for preliminary ASA, and capacity- and consensus-building.

79. **Environmental and Social (E&S) risks are assessed as Substantial.** E&S risk is growing because of climate change, increasing competition for natural resources, and the growing profitability of land-use

conversion, particularly around the Laos-China railway. In addition to strong WB E & S management, the Bank will continue to build national capacity to manage the environmental and social aspects of investments, including the capacity for preparation and implementation of the Environmental and Social Framework (ESF). The ESF has been translated into the Lao language and the Bank has conducted, in collaboration with the National University of Laos, training programs for government staff and local consultants. Periodic refresher training on the ESF will be provided as needed to partner ministries and implementation units. Analytical work on social risks around access to natural resources in rural areas will strengthen the analytical base for social risk management in IPFs.

80. **Fiduciary risks are rated Substantial.** Fiduciary capacity in Laos remains weak. This is reflected in ongoing project implementation challenges, including procurement delays, high turnover of staff, lack of procurement knowledge, heightened due diligence risks, and country systems not being utilized to their full potential. To mitigate these risks, the WB will invest in capacity building, including a monthly procurement training for government staff. The WB also put in place tools aimed at increasing capacity and due diligence. These include a Procurement Hands-on Expanded Implementation Support (HEIS) mechanism for selected PIUs; the Systematic Tracking of Exchanges in Procurement (STEP) application; and regular post procurement reviews to identify and resolve risks. Simplification of project design, especially pertaining to institutional arrangements and coordination mechanisms, will also be a focus of the CPF program, aimed at increasing the use of country systems and building core skills among government staff.

Annex 1 – The Lao PDR FY23–26 CPF Results Matrix

High Level Outcome 1 (HLO 1): Purchasing power and access to public services protected from macroeconomic instability and fiscal pressure on social spending		
This HLO incorporates elements of the previous CPF Focus Area of “Supporting Inclusive Growth,” which included fiscal sustainability through revenue mobilization and quality of spending for improved debt management and financial sector stability.		
High-level Outcome Indicators	Data source	Current value ²³
Social spending (education + health) as a share of GDP	MoF, MoE, MoH	3.3 percent of GDP (2020)
CPI inflation ²⁹	Lao Statistical Bureau	3.5 percent (average 2018-2020)
Multidimensional Poverty Index (MPI)	Oxford Poverty and Human Development Initiative (OPHI)/UNDP	0.108 (2017)
Out-of-pocket expenditure (% of current health expenditure)	WDI	48.5 percent (2018)
Pupil-teacher ratio, primary	WDI	22.3 percent (2018)
<p>Rationale: Social spending has been hampered by declining revenues and rising debt service obligations, leaving many people at risk of falling into poverty. A growing debt burden, coupled with a weak fiscal framework, low foreign currency reserves, and limited financing opportunities—following sovereign rating downgrades in 2020 and 2021—have led to significant difficulties in meeting debt service obligations. State-owned Électricité du Laos (EDL) alone accounts for 37 percent of PPG debt. In response to rising debt and poor revenue collection performance, fiscal consolidation has been achieved through tight expenditure controls that, coupled with fast-rising interest payments, have squeezed the fiscal space available for development expenditures. The combined public spending on education and health has been declining from an already low level, even in the time of COVID-19. Interest payments are expected to overtake social spending in the near term, possibly as early as 2022.</p> <p>WBG engagement: The CPF will contribute to HLO1 by supporting revenue mobilization, enhancement of expenditure management, strengthening of financial reporting, and improved financial sustainability of the power sector with a focus on EDL, a major contributor to Laos’ PPG debt.</p> <p>Knowledge gaps: The latest Public Expenditure and Financial Accountability (PEFA) assessment identified information gaps in most areas of fiscal management. Despite progress, there is still room for improvement on public debt transparency. There are gaps in EDL accounting and financial managements records, as well as inconsistencies in the data across government agencies. A common database for power system planning is also missing. Access to financial data is limited.</p> <p>Sustainable Development Goals (SDGs) associated:</p> <ul style="list-style-type: none"> • SDG 17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development (Target 17.1: Mobilize resources to improve domestic revenue collection; Target 17.4: Assist developing countries in attaining debt sustainability). • SDG 3: Ensure healthy lives and promote well-being for all at all ages • SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all 		

²⁹ 3 year moving average to smooth out supply-push shocks to the price level

CPF Objective 1: Improved expenditure management and revenue mobilization.

This is a subset of the previous CPF objective of “Putting public finances on a sustainable path and supporting financial sector stability.” Under the current CPF objective formulation, greater emphasis is placed on revenue mobilization rather than on improved debt management and financial sector stability.

Rationale: Increasing fiscal space, through stronger domestic revenue mobilization and through a financially sustainable power sector, will be critical to secure adequate spending on development priorities, building buffers against future shocks, and supporting long-term economic growth. A growing debt burden, coupled with a weak fiscal framework, low foreign currency reserves, and limited financing opportunities—following sovereign rating downgrades in 2020 and 2021—have led to significant pressure from debt service obligations. In response to rising debt and poor revenue collection performance, fiscal consolidation has been achieved through tight expenditure controls that, coupled with fast-rising interest payments, has squeezed the fiscal space available for development and social expenditures.

Lessons learned and new knowledge at the program level: Improving expenditure management and revenue mobilization requires a sustained engagement with government counterparts that often requires a combination of just-in-time policy advice, technical assistance, capacity and institutional building, and investments in operating systems. In addition, the complexity of PFM reforms makes them challenging to implement and dependent on high-level commitment and ownership, as well as technical capacity. It is therefore important to be persistent and support the Government throughout the process with capacity building, advice, and knowledge sharing. One should also be prepared for reform reversals.

WBG support: WB investments will aim to improve the timeliness and transparency of financial reporting by supporting the implementation and rollout of an Integrated Financial Management and Information System (IFMIS) that will provide detailed and timely budget data to inform planning, monitoring, and policy and decision making. Support will also be provided to improve the capacity of the tax administration to collect revenues by facilitating taxation of the digital economy, strengthening the performance of the GoL Tax Department and improving records management. On the analytical front, support will focus on revenue mobilization, SOEs, and on addressing PFM bottlenecks in the education sector. These engagements are supported by the EU and DFAT and are executed in collaboration with partners, such as the IMF and ADB. IFC also expects to support the development of a dry port facility and logistics park in Vientiane which could contribute to government revenues from trade, profits, and wages.

Key risks and mitigation: Risks associated with debt sustainability and stability of the financial sector could hinder the achievement of the CPF objectives. A macroeconomic crisis originating from debt service obligations, the balance of payments, the fiscal deficit, or the banking sector would directly compromise objectives related to increased fiscal space.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program ³⁰
<p>COI 1.1: Coverage of annual financial statements and comparability with the approved budget. Baseline [2020]: Annual financial statements cover central and provincial level only. Target [2025]: Annual financial statements generated by the new FMIS cover central, provincial and district levels (excluding state-owned enterprises and other statutory entities) and are comparable with the approved budget. Source: P167534 E-FITS</p>	<p>SPI 1.1: Publication of the tax expenditure report Baseline [2020]: 0 Target [2023]: 1 Source: P177770 Public Expenditure Review; SDFP PPA FY23 (tbd)</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • P167534 Enhancing Public Finance Management through Information and Communication Technology and Skills (E-FITS) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • Strengthening Revenue and Expenditure Management Project (SREMP) (E-FITS continuation) • P179016 Lao PDR Reform Project <p>Ongoing ASA:</p>

³⁰ The ASA pipeline program outlined in the RM will be determined on an annual basis in line with the evolving country context, client demand and resource availability.

<p>COI 1.2: Reduction in the total value of tax expenditures Baseline [2023]: TBD (baseline and target to be determined from the tax expenditure report (to be published in 2023) Target [2025]: TBD Source: P177770 Public Expenditure Review; P179015 Lao PDR 3rd Programmatic PFM Reform Program</p>		<ul style="list-style-type: none"> • P167660 PFM Reform PASA • P179015 Lao PDR 3rd Programmatic PFM Reform Program • P177770 Public Expenditure Review • P171539 Financial Sector Development ASA • P179628 Lao PDR Macroeconomic, Trade, Business Environment Analytics • P179306 Lao PDR Power Sector Sustainable Development Support
<p>CPF Objective 2: Improved institutional capacity and power network efficiency of EDL</p>		
<p>Rationale: This is a new CPF Objective compared to the previous CPF, reflecting the high contribution to Laos’ fiscal difficulties of the power sector’s operating losses. State-owned Électricité du Laos (EDL) alone accounts for 36 percent of PPG debt. This situation can have significant fiscal impacts, since most of EDL’s debt is either on-lent or guaranteed by the government. Additional contingent liabilities associated with non-guaranteed debt and EDL-T are thought to be substantial. Improving EDL’s operational efficiency and easing its debt burden will minimize fiscal risks and have a positive impact on the sovereign’s debt sustainability outlook. This objective will contribute to HLO1 by addressing the institutional capacity and power network efficiency of EDL.</p> <p>Lessons learned and new knowledge at the program level: The government’s current financial position stems from lack of coordination and planning in the investment decision making process and an inadequate regulatory framework that led to non-competitive contracting and poor concession management. This resulted in excess investment in generation while inadequate resources were allocated to transmission/distribution. The current ASA has identified urgent investments and policy actions to be supported under the proposed Domestic Grid Optimization process. The follow up Power Sector Sustainable Development ASA will focus on utilization of the excess power through increased exports and domestic consumption.</p> <p>WBG support: Given the burden placed by the power sector on public debt, the Bank’s energy sector engagement will help address associated fiscal impacts and risks. Under the WB program, a set of investments jointly identified by EDL and the WB would reduce losses in rehabilitated substations by an estimated 6 percent and increase the power flow of the system by 7.5 percent, thus contributing to a reduction in EDL’s operating losses and in the public debt that has led to reduced fiscal space. A set of analytical outputs will analyze ways to utilize Laos’ excess power. Technical assistance will focus on energy trade with regional partners as well as increased domestic demand. It will also focus on identifying measures to enhance the operational and financial sustainability of EDL and to improve the governance of the energy sector.</p> <p>Key risks and mitigation: Risks associated with debt sustainability of the energy sector could have direct impact on the fiscal situation of Laos and hinder the achievement of the CPF objectives, as EDL debt is on-lent or guaranteed by MoF. The Bank ASA program, both ongoing and proposed, is aimed at increasing the efficiency of operations, utilization of assets and stability of supply to improve the financial sustainability of EDL. The Bank team is also working with the EDL Financial Recovery Working Group, chaired by the Minister of Energy and Mines, to support the drafting of the action plan for EDL financial recovery.</p>		
<p>CPF Objective Indicators</p>	<p>Supplementary Progress Indicators</p>	<p>WBG Program</p>
<p>COI 2.1: EDL Financial Recovery program adopted Baseline [2022]: No Target [2025]: Yes Source: MEM/MOF/EDL Energy Sector Financial Recovery Program; P178477 Domestic Grid Optimization Project</p>	<p>SPI 2.1: Power export strategy informed Baseline [2020]: No Target [2024]: Yes Source: P179306 Lao PDR Power Sector Sustainable Development ASA</p>	<p>Financing Pipeline:</p> <ul style="list-style-type: none"> • P178477 Domestic Grid Optimization Project <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • P179306 Lao PDR Power Sector Sustainable Development Support

<p>COI 2.2: EDL corporate governance, financial management and accounting improvement program adopted. Baseline [2022]: No Target [2025]: Yes Source: P179306 Lao PDR Power Sector Sustainable Development Support; P178477 Domestic Grid Optimization</p> <p>COI 2.3: Reduction of losses at targeted substations Baseline [2022]: 0 Target [2026]: 6% Source: P178477 Domestic Grid Optimization</p> <p>COI 2.4: Increase in system power flow after investments Baseline [2022]: 0 Target [2026]: 7.5% Source: P178477 Domestic Grid Optimization</p>	<p>SPI 2.2: Regulatory Committee established Baseline [2022]: No Target [2024]: Yes Source: Energy Sector Financial Recovery Program ASA (P175881)</p>	
<p>High Level Outcome 2 (HLO 2): Improved labor incomes of vulnerable households</p>		
<p>This HLO is a response to the emerging phenomenon of jobless and non-pro-poor growth. It combines and refocuses the previous CPF’s “Investing in People” and “Supporting inclusive growth” themes, through the lens of improved labor incomes, via increased demand for labor and higher labor productivity.</p>		
<p>High-level Outcome Indicators</p>	<p>Data source</p>	<p>Current value</p>
<p>Average labor income per capita of the bottom 40 percent *Bottom 40 percent: the poorest 40 percent of the population based on the consumption distribution *Labor income includes wages and net earnings from self-employment.</p> <p>Human Capital Index Female employment to population ratio *Excluding own-use production workers</p>	<p>Lao Expenditure and Consumption Survey 2018–19 (LECS 6)</p> <p>Human Capital Index (HCI) database Labor Force Survey 2017</p>	<p>190,120 kip (2018)</p> <p>0.46 (2020) 33.7 percent (2017)</p>
<p>Rationale: Poorer households have benefited least from Laos’ jobless economic growth. Unemployment rose from 4.1 percent to 15.7 percent during 2012–18, while inequality has increased. The domestic private sector has been hampered by lack of competition and transparency. The financial sector is dominated by state-owned banks, and there has been limited credit flow to the private sector. Looking forward, a more inclusive growth pattern, based upon human capital, a favorable investment climate and connectivity, is required to improve the earnings of poor households.</p>		
<p>WBG engagement: WBG engagement will therefore contribute to improved labor incomes by supporting firm competitiveness and the strengthening of human capital. A more dynamic private sector will be crucial to generate sufficient job opportunities. Enhanced learning outcomes will be needed to ensure that prospective workers have the required skills, and to boost</p>		

entrepreneurship. Connective infrastructure remains important to supporting spatial development and to widening access to markets and public services. Stunting remains prevalent, and its reduction must be a high priority, given its impact on human capital productivity. Equitable access to quality health services continues to be vital to ensure healthy and productive workers, particularly during pandemic.

Knowledge gaps: There are gaps in analysis of firm and labor market dynamics due to infrequent data collection. Although corruption is often cited as an impediment to investment, hard evidence is scarce. A better understanding of social and gender norms and the factors behind the high adolescent fertility rate is needed to tackle gender inequality and malnutrition issues. Analysis of the impact of the new China-Laos railway on different socioeconomic groups would also support the design of investments and policies to share its benefits.

SDGs associated:

- SDG 8: Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all
- SDG 3: Ensure healthy lives and promote well-being for all at all ages
- SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

CPF Objective 3: Enhanced firm-level competitiveness and access to finance

This objective is in line with the previous CPF objective of “making it easier to do business,” which included access to finance. The current CPF objective adds a focus on firm competitiveness, in acknowledgment of the findings of the CEM. In addition, the previous corresponding CPF objective included agriculture productivity, which in the current CPF is covered under HLO3 in recognition of agriculture’s distinctive impact upon labor incomes and the natural resource endowment.

Rationale: A dynamic and competitive private sector will be key in reversing Laos’ trend of jobless growth and thus contribute to improved labor incomes for vulnerable households. Unlocking the trade and export potential of Laos will require increased competitiveness, greater integration into regional markets, more seamless cross-border transit, improved logistics and value chains, and a more supportive business environment. In parallel, measures will be needed to offset the impact of COVID-19 on the private sector, including increased access to finance. The poor market orientation of skills development and intermediation services has been a long-lasting problem. Most technical and vocational education and training institutions teach overly theoretical courses using traditional delivery methods, have weak mechanisms for engaging the private sector, and offer limited career-counselling services. Only 25 percent report adapting programs to labor market needs, and only 3 percent offer online programs. Weak job-matching and labor market intermediation services means that jobseekers often do not find the right job. Youth, women, and other vulnerable groups are facing additional barriers and would require additional support to fully make use of skills development and intermediation services.

Lessons learned and new knowledge at the program level: Improving firms’ access to finance requires addressing complex supply and demand side constraints. Credit lines alone are insufficient to close the large gap in access to finance. On the supply side, improving the quality of the credit information system, modernizing the insolvency framework and developing new products such as credit guarantees can make positive contributions to improving access to finance. On the demand side, continued investments in business development services can improve MSME skills (accounting, business strategy) and improve their “bankability.”

WBG support: The WB investment program will finance technical assistance and capacity-building on business and trade regulation, as well as supporting business advisory services and financing for MSMEs. WB investment operations will be complemented by analytical and advisory work aimed at simplifying business regulations, facilitating trade, developing the Lao capital market, and improving firm-level competitiveness. IFC will further financial inclusion by supporting advisory services, green finance, and access to local currency finance for SMEs (notably women-owned SMEs). To this end, IFC has started scoping a Digital Transformation advisory project in the financial sector. On the skills front, the WB program will support an

assessment of skills needs in priority sectors, and the modernization of vocational training, public employment services and labor market information systems. Technical assistance on social protection, skills, and jobs will continue.

Key risks and mitigation: There is a risk that financial sector policies enacted during the pandemic—such as regulatory forbearance measures—could lead to capital shortfalls in banks and limit the ability of credit expansion to fuel economic recovery. WB will therefore advise the Bank of the Lao PDR (BOL) on the legal and regulatory framework, deposit insurance, risk-based supervision, the early warning system, and the shift to BASEL II standards. Also, the Financial Safety Net Project utilizes performance-based conditions to promote implementation of reforms that strengthen financial sector stability.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>COI 3.1: % Sales growth in Business Assistance Facility (BAF) supported firms compared to non-supported firms. Baseline [2020]: 0 Target [2025]: 20% Source: P164813 Lao PDR Competitiveness & Trade Project</p> <p>COI 3.2: Number of MSMEs receiving financing under the Access to Finance Emergency Support project and IFC Acleda investment. Baseline [2020]: 0 Target [2025]: 400 Source: P174169 MSME Access to Finance Emergency Support and Recovery project; IFC Acleda (IS IFC)</p> <p>COI 3.3: Share of trainees completing new market-relevant courses in targeted TVET institutions who obtain employment within six months of completion (disaggregated by gender). Baseline [2021]: 0 Target [2026]: 35%</p> <p>Baseline female [2020]: 0 Target female [2025]: 45% Source: P172774 Priority Skills for Growth</p> <p>COI 3.4: Adoption of Early Intervention and Problem Bank Resolution Regulations. Baseline (2022): no Target (2024): yes Source: P169194 Financial Safety Net Project; P171539 Financial Sector Development PASA.</p>	<p>SPI 3.1: Number of businesses supported with technical assistance - indicator captures business development services provided to MSMEs Baseline [2021]: 0 Target [2024]: 600 Source: P174169 MSME Access to Finance Emergency and Recovery Project; IFC Acleda (IS IFC)</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • P174169 MSME Access to Finance Emergency and Recovery Project • P169194 Financial Safety Net Project • P164813 Lao PDR Competitiveness & Trade Project • P172774 Priority Skills for Growth • IFC Acleda (IS IFC) <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • P171539 Financial Sector Development ASA • P179628 Lao PDR Macroeconomic, Trade, Business Environment Analytics • P174731 Korea-Lao PDR Partnership for Better Skills Development and Job Matching ASA

<p>COI 3.5: Percentage of women owned enterprises registered per year Baseline (2017): 43 Target (2024): 46 Source: P164813 Lao PDR Competitiveness & Trade Project</p> <p>COI 3.6: Number of grants to women owned enterprises Baseline (2017): 0 Target (2024) 40 Source: P164813 Lao PDR Competitiveness & Trade Project</p>		
<p>CPF Objective 4: Increased connectivity through climate-resilient infrastructure</p>		
<p>This objective follows the previous CPF’s objective of “Investing in infrastructure for growth and inclusion” under the Focus Area on Supporting Inclusive Growth. The CLR for the previous CPF rates this objective as ‘achieved’, based on investments and ASA in the roads and power sectors, as well as small-scale infrastructure in areas targeted by the Poverty Reduction Fund (PRF).</p>		
<p>Rationale: Improved regional and domestic trade and transport connectivity facilitate access to markets, boosting private sector activity, trade, and job creation. The 9th NSEDP and the Transport Sector Strategy and 5-year Plan (2021-2025) include regional connectivity and integration among their key strategic priorities. More specifically, the fifth objective of the 9th NSEDP includes robust infrastructure development, utilization of the country’s potential and strategic location, and active engagement in regional and international cooperation and integration. Climate-proofing transport infrastructure is a climate change adaptation priority; over half the economic losses from the 2018 floods was in the form of damage to roads. Road accidents are the main cause of death for young adults and of disability in the overall population.</p>		
<p>Lessons learned and new knowledge at the program level: While major gaps remain in infrastructure and road connectivity, and with limited public resources, it is critical to ensure robust prioritization of investments for improving major corridors and local roads to maximize economic and social benefits. Investments would need to be complemented by policy actions to unlock trade and export potential through seamless cross-border transit, improved logistics and value chains, and local capacity development. The Lao PDR’s transport network is highly susceptible to climate change induced natural hazards, particularly floods and landslides. It is critical to ensure a systematic integration of climate resilience measures during infrastructure design and construction as well as to enhance capacity for post-construction maintenance and asset management system for a resilient and sustainable transport network.</p>		
<p>WBG support: WB support will be scaled-up through a Climate Resilient Road Connectivity Project to improve roads in provinces and rural areas with high poverty rates. This will focus on improving the climate resilience and safety of prioritized roads which are critical to access agricultural markets and key services. The Southeast Asia Regional Economic Corridor and Connectivity Project will support regional trade and transport connectivity, cross-border management efficiency, agriculture trade facilitation, logistics services, access to rural communities and agriculture production areas, multi-modal transport planning, and road safety in selected corridors linking northern Laos with Thailand and Vietnam. Analytical work will also support economic corridor development, green urban mobility, and the enabling environment for PPPs. IFC will explore infrastructure investment opportunities in an inland intermodal terminal and logistics park, building on existing advisory and upstream engagements, and leverage its international expertise in Environmental and Social Performance Standards to support a sustainable integrated model for a dry port and logistics center in Vientiane Capital.</p>		

Key risks and mitigation: Limited fiscal space reduces the ability of the Government of Lao PDR to fund the maintenance of public assets. A mitigating factor is the existence of a Road Fund financed from fuel levies, rather than general revenues, which is used for maintenance of road assets. In addition, an updated transport sector strategy and improved climate resilient road asset management will help Government better prioritize investments and more efficient use of limited budget for road sector development and climate adaptation. The Bank program in the transport sector will continue to support institutional reforms and capacity strengthening in the transport sector, including coordination at central-provincial levels and mitigate risks related to capacity of local stakeholders. The Bank will also continue coordination with development partners active in the sector as co-chair of the Infrastructure Sector Working Group as a mechanism to facilitate overall coordination among development partners.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>COI 4.1: Number of people with increased access to all-season roads Baseline [2021]: 1,000,000 Target [2025]: 1,800,000</p> <p>Baseline female [2021]: 500,000 Target female [2025]: 900,000 Source: P158504 Lao Road Sector Project 2; P163730 Lao NR13; P176088 Southeast Asia Regional Economic Corridor and Connectivity</p> <p>COI 4.2: Roads upgraded and improved, with climate resilient measures (km). Baseline [2022]: 652 ³¹ Target [2025]: 900 Source: P163730 Lao NR13; P158504 Lao Road Sector Project 2, P176088 Southeast Asia Regional Economic Corridor and Connectivity Project</p> <p>COI 4.3: % reduction in travel time from village center to kumban center due to road improvements (focused in 4 provinces in the North covered by the nutrition convergence program). Baseline [2020]: 104 minutes on average Target [2025]: 40% (62 minutes on average) Source: P157963 Poverty Reduction Fund (PRF) III</p>	<p>SPI 4.1: Multi-modal transport framework established (yes/no) Baseline [2022]: No Target [2025]: Yes Source: P176088 Southeast Asia Regional Economic Corridor and Connectivity Project</p> <p>SPI 4.2: Standard Operation Procedures (SOPs) for the development of dry-port and consolidation locations (Yes/No) Baseline 2021]: No Target [2025]: Yes Source: P176088 Southeast Asia Regional Economic Corridor and Connectivity Project</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • P158504 Lao Road Sector Project 2 including a Bank-Executed Trust Fund (BETF) on road safety • P163730 Lao NR13 • P157963 Poverty Reduction Fund (PRF) III • P176088 Southeast Asia Regional Economic Corridor and Connectivity <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • P179284 Climate Resilient Road Connectivity Improvement

³¹ This has been achieved under ongoing project (P158504)

CPF Objective 5: Expanded use among women and children of practices and services beneficial to nutrition.

This objective is a continuation of the previous CPF objective on “Reducing the prevalence of malnutrition.” The CLR rates progress toward this objective as partially achieved, reflecting both achievements and challenges under the multisectoral nutrition convergence approach (MNCA).

Rationale: According to the latest Human Capital Index, a child born in Lao PDR today will be only 46 percent as productive as she could have been if she had complete education, good health and a well-nourished childhood. A key underlying reason for the lag in human capital is childhood undernutrition, which impairs health, cognitive development, and earnings throughout an individual’s life. About 33 percent of children under five years in Laos are stunted, 21 percent are underweight, and 9 percent are wasted (having low weight for height). The poor, ethnic minorities, rural children, and those living in the upland areas of the country are affected disproportionately. The proximate causes are related to food security, maternal and child caring practices, access to essential health and nutrition services as well as access to clean water and sanitation and personal hygiene. Basic causes include poverty and other socio-economic and institutional factors.

Lessons learned and new knowledge at the program level: Reducing chronic malnutrition is a long-term process that will require long-term intervention to achieve sustained results, as well as investments in systems-building and overall capacity building to counter the likely delays and complexities of inter-institutional collaboration.

WBG support: Under the umbrella of the National Nutrition Strategy (NNS), the National Plan for Nutrition (NPA) explicitly adopts a multisectoral convergence approach, bringing together the services of agricultural, social, health and education ministries in targeted geographical areas. The World Bank is supporting this Multisectoral Nutrition Convergence Approach (MNCA) with five projects targeting the same villages and, where applicable, the same households, with synchronized interventions. During the CPF period, the Bank will continue to focus on the villages targeted under the previous CPF, recognizing that reducing chronic malnutrition is a long-term process, and approve follow-on projects where required. The Bank will pay particular attention to encouraging collaboration at the point of delivery between different ministries, the strengthening of delivery capacity, and impact measurement. Based upon the findings of impact evaluations, the Bank may consider in the longer term a geographical expansion of its support.

Key risks and mitigation: Rising public debt and declining revenues could result in a further compression of social expenditures, including health. To partially mitigate these risks, the Bank will intensify technical assistance and policy dialogue under HLO1 on the overall macro-fiscal agenda. Performance and Policy Actions (PPA) support under the IDA Sustainable Development Finance Policy (SDFP) would also provide a focus for continued targeted debt stabilization actions. Public Expenditure Reviews will make the case for priority social sector financing. Performance-based financing will incentivize priority health expenditures and IPFs will in general be designed to deliver results in a tight budgetary environment.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>COI 5.1: Percentage of children 6–23 months from cash transfer beneficiary households consuming foods from four or more recommended food groups. Baseline [2020]: 0 Target [2023]: 40%</p> <p>Source: P162565 Reducing Rural Poverty and Malnutrition</p> <p>COI 5.2: Percentage of children 6–23 months from Farmer Nutrition Group households consuming foods from four or more recommended food groups Baseline [2020]: 37.5%</p>	<p>SPI 5.1: Number of Farmer Nutrition Group member households Baseline [2021]: 11,914 beneficiaries Target [2025]: 14,300</p> <p>Baseline female [2021]: 10,765 women Target female [2024]: 14,300.00</p> <ul style="list-style-type: none"> Source: P157963 Poverty Reduction Fund (PRF) III 	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> P162565 Reducing Rural Poverty & Malnutrition (RRPM) P157963 Poverty Reduction Fund (PRF) III P166165 HANSA Project P164901 Scaling-Up Water Supply, Sanitation, and Hygiene (WASH) Project P173407 Global Partnership for Education III: Learning and Equity Acceleration Project (LEAP) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> P178957 HANSA Phase II (Follow-on) Project

<p>Target [2024]: 40 (%) Source: P157963 Poverty Reduction Fund (PRF) III</p> <p>COI 5.3: Percentage of pregnant women who receive 4 Antenatal Care contacts in the twelve nutrition convergence districts. Baseline [2020]: 52% Target [2025]: 62% Source: P166165 HANSA Project</p> <p>COI 5.4: People provided with access to improved water sources Baseline [2020]: 0 Target [2024]: 192,000</p> <p>Baseline female [2020]: 0 Target female [2024]: 96,000 Source: P164901 Scaling-Up WASH Project</p> <p>COI 5.5: People provided with access to improved sanitation services. Baseline [2020]: 0 Target [2025]: 96,000 Baseline female [2020]: 0 Target female [2024]: 48,000 Source: P164901 Scaling-Up WASH Project</p>	<p>SPI 5.2: Percentage of households with a mean household dietary diversity score > 4 Baseline [2020]: 77.9% Target [2024]: 85% Source: P157963 Poverty Reduction Fund (PRF) III (NCM survey baseline data)</p> <p>SPI 5.3: Percentage of female direct cash transfer recipients who report increased decision-making power on spending decisions for the household. Baseline [2021]: 0 Target [2024]: 90%</p>	<ul style="list-style-type: none"> • P178883 Reducing Rural Poverty and Malnutrition Project Phase 2 of (RRPMII) • P179146 Smallholder Green Agriculture Competitiveness Project (follow-on Agriculture Competitiveness) • P178545 Community Livelihood Enhancement and Resilience Project <p>ASA Pipeline (indicative):</p> <ul style="list-style-type: none"> • New PASA on Social Protection
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CPF Objective 6: Enhanced learning outcomes for primary grade students and improved acquisition of market-relevant skills

This CPF objective follows the previous CPF objective of “Improving the quality of primary and pre-primary education,” but with a stronger focus on learning outcomes for primary grade students, and on building market-relevant skills, reflecting recent findings on learning outcomes and the emerging story of jobless growth. The CLR for the previous CPF rates this objective mostly achieved, with encouraging progress on learning outcomes at the pre-primary level.

Rationale: Enhanced learning outcomes allow prospective workers to have the required skills to meet job opportunities, as well as to boost entrepreneurship, thus contributing to improved labor incomes. While Laos has made substantial progress in improving access to basic education, enrollment rates have slightly declined in recent years and learning outcomes remain low. Some 42 percent of Grade 3 students do not master basic proficiency in Lao language. In mathematics, nearly 80 percent of Grade 3 pupils fail to demonstrate the expected skills. Lao students also fare poorly in subsequent grades: 90 per cent of Grade 9 students have only basic proficiency in Lao language and more than 90 percent do not meet basic proficiency in math. At the tertiary level, Laos’ gross enrollment ratio fell from 17.8 percent in 2011 to 14.5 percent in 2019. Unprepared learners, ineffective and poorly managed teachers, and weak school system governance underlie these challenges.

Lessons learned and new knowledge at the program level: Improving learning outcomes requires measuring learning outcomes credibly and regularly, investing in early childhood education and teacher effectiveness, and better school governance, as well as giving interventions more time to achieve visible results. Evidence from completed impact evaluations,

such as those covering early childhood education and reading readiness, will be used to inform future engagement in these areas. Studies, such as the Training Assessment Project, will inform interventions focused on making the training provided by skills training centers more labor-market relevant.

WBG support: The WBG program will focus on strengthening learning outcomes in primary grades and technical and vocational education and training (TVET). The ongoing program will continue to support learning outcomes in primary grades, including preparing young learners for grade one through early childhood education interventions, strengthening teacher quality and school governance. On the skills front, WBG support will help make the training system more responsive to labor market needs, agile and equitable. It will do so by modernizing the TVET curriculum and investing in select number of TVET institutions. The WBG program will also support better job matching and increasing youth employability by strengthening the service delivery capacity of employment services, skills development, and employment generation support for priority groups. As part of the pipeline, the WBG program will also support modernization of human resource management tools, systems, and policies in education. IFC will explore opportunities to support private vocational training schools.

Key risks and mitigation: Rising public debt and declining revenues could result in a further compression of social expenditures, potentially leading to a drop in teacher recruitment and reduced discretionary funding to schools through school block grants. The combined public spending on social sectors (education, health, and social protection) was declining even before COVID-19, with interest payments expected to overtake social spending in 2022. To partially mitigate these risks, the Bank will intensify technical assistance and policy dialogue under HLO1 on the overall macro-fiscal agenda. Performance and Policy Actions (PPA) support under the IDA Sustainable Development Finance Policy (SDFP) would also provide a focus for continued targeted debt stabilization actions. Public Expenditure Reviews will make the case for priority social sector financing. IPFs will in general be designed to deliver results in a tight budgetary environment.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>COI 6.1: Percentage of 3rd grade students in target districts who can read and comprehend a grade-appropriate paragraph. Baseline [2020]: 43% Target [2026]: 53%</p> <p>Baseline female [2020]: 33% Target female [2026]: 48% Source: P173407 LEAP</p> <p>COI 6.2: Number of students who have completed new market-relevant courses in targeted TVET institutes. Baseline [2021]: 0 Target [2026]: 8,000</p> <p>Baseline share female [2022]: 34.8% Target share female [2026]: 45% Source: P172774 Lao PDR Priority Skills for Growth</p> <p>COI 6.3: Share of trainees that get employment within 6 months after completing training</p>	<p>SPI 6.1: Percentage of children aged 3-5 enrolled in ECE programs in Community Child Development Group, Multi-age Teaching and Reading Readiness Program in target villages Baseline [2020]: 24% Target [2024]: 54.6% Source: P173407 LEAP</p> <p>SPI 6.2: Percentage of teachers in priority sectors with upgraded market-relevant skills Baseline [2022]: 0 Target [2024]: 25% Source: P172774 Lao PDR Priority Skills for Growth</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • P173407 LEAP • P172774 Lao PDR: Priority Skills for Growth <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • Modernizing Human Resource Management in Education and Health for Better Outcomes <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • P179015 Lao PDR 3rd Programmatic PFM Reform Program - Public Expenditure and Institutional Review and Financial Management Analysis (debottlenecking) in the Education Sector ASA • P174731 Korea-Lao PDR Partnership for Better Skills Development and Job Matching

<p>Baseline [2022]: 0 Target [2026]: 35%</p> <p>Baseline female [2022]: 0 Target female [2026]: 40%</p>		<p>ASA Pipeline (indicative):</p> <ul style="list-style-type: none"> • Human Capital Public Expenditure and Institutional Review (PEIR) • Analysis of higher education access and quality
<p>CPF Objective 7: Improved inclusive access to quality health services</p>		
<p>This CPF objective follows the previous CPF objective of “improving access to and quality of maternal and child health services.” It has a stronger focus (i) on vulnerable groups and underserved areas, reflecting the analysis of the SCD, and (ii) on maternal and child health services beneficial to nutrition now addressed by Objective 5. The CLR rates the previous CPF’s objective as mostly achieved, showing good progress in the delivery of maternal and child health (MCH) services, vaccination, and family planning.</p>		
<p>Rationale: Access to affordable and quality health services improves people’s health and earning potential and prevents the vulnerable from falling into poverty when facing health shocks. While health insurance coverage has substantially improved, access to affordable quality healthcare services remains limited among low-income households living in rural and remote areas. The government introduced national health insurance in 2016, increasing the coverage of social health protection schemes to 94.3 percent. However, it remains difficult for low-income households living in remote areas to access quality healthcare services.</p>		
<p>Lessons learned and new knowledge at the program level: Limited facility and service readiness is a major bottleneck for ensuring access to quality health and nutrition services. According to the 2019 readiness assessment conducted in 17 provinces, gaps are highlighted in: training of health personnel; the lack of functional basic equipment for handwashing at health center level; availability of key medicines and equipment for quality health and nutrition services, which is particularly low at health center level; availability of policies, guidelines and standards. The facility readiness assessment showed limited readiness to deliver the quality of antenatal care services (ANC) services. Almost all provincial and district hospitals had functional hemoglobin test equipment, but only 20percent of the health centers did so. The midwives and nurses, who are the majority of ANC providers, were less trained in general ANC, compared to medical doctors.</p>		
<p>WBG support: The CPF program will focus on providing access to health services to vulnerable groups and underserved areas. WBG investments will support the delivery of reproductive, maternal and child health and nutrition services at the decentralized levels, with an increased focus on underserved regions. Support for conditional cash transfers to poor households will stimulate demand for and utilization of health and nutrition services. At the institutional level, WBG support will aim to improve financial flows and the sustainability of the National Health Insurance scheme. The Lao PDR COVID-19 Emergency Response Project will continue to support preparedness and emergency response activities, including vaccinations, infection prevention and control, case detections and contact tracing, case management, risk communication, and the upgrade of the skills of health care workers. As part of the pipeline, the WBG program will also support modernization of human resource management tools, systems and policies in education in a cross-cutting intervention bringing together governance, digital development and health systems concepts. In addition, IFC will explore opportunities to support private hospitals and south-south investments from Thailand.</p>		
<p>Key risks and mitigation: Rising public debt and declining revenues could result in a further compression of social expenditures, including health. To partially mitigate these risks, the Bank will intensify technical assistance and policy dialogue under HLO1 on the overall macro-fiscal agenda. Performance and Policy Actions (PPA) support under the IDA Sustainable Development Finance Policy (SDFP) would also provide a focus for continued targeted debt stabilization actions. Public Expenditure Reviews will make the case for priority social sector financing. Performance-based financing will incentivize priority health expenditures and IPFs will in general be designed to deliver results in a tight budgetary environment.</p>		
<p>CPF Objective Indicators</p>	<p>Supplementary Progress Indicators</p>	<p>WBG Program</p>

<p>COI 7.1: Percentage of pregnant women who receive 4 Antenatal Care contacts in the 12 nutrition convergence districts Baseline [2019]: 52% Target [2025]: 80% Source: District Health Information System version 2 (DHIS2) (P166165 HANSA Project)</p> <p>COI 7.2: Number of deliveries attended by a skilled birth attendant. Baseline [2021]: 120,831 Target [2025]: 136,000 Source: DHIS2 (P166165 HANSA Project)</p> <p>COI 7.3: Number of health centers which have at least 85% of 30 days' stock of nationally agreed list of essential drugs and commodities Baseline [2019]: 0 Target [2025]: 800 Source: DHIS2 (P166165 HANSA Project)</p>	<p>SPI 7.1: Percentage of pregnant women who receive the first Antenatal Care contact in the 12 nutrition convergence districts Baseline [2019]: 87% Target [2024]: 94% Source: DHIS2</p> <p>SPI 7.2: Number of health centers scoring above 60% on a standard quality assessment system. Baseline [2020]: 0 Target [2024]: 600 Source: DHIS2 (P166165 HANSA Project)</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • P157963 Poverty Reduction Fund III (PRF III) • P166165 HANSA Project • P173817 Lao PDR COVID-19 Response Project • P162565 Reducing Rural Poverty & Malnutrition Project <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • P178883 Reducing Rural Poverty & Malnutrition Project II (follow-on) <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • P175906 Building a Resilient Health System for Universal Health Coverage <p>ASA Pipeline (indicative):</p> <ul style="list-style-type: none"> • Analysis and policy advice in support of health sector reform implementation.
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High Level Outcome 3 (HLO 3) - Sustainable livelihoods through better management of natural resources

This HLO follows the previous CPF's Focus Area on protecting the environment, with a stronger focus on sustaining livelihoods that depend on natural resources than on disaster risk management. This reflects the focus of the SCD and CPF on support for the labor incomes of the poor.

High-level Outcome Indicators	Data source	Current value ²³
Per capita wealth in the form of renewable natural capital	World Bank Changing Wealth of Nations 2021 Report	\$9,725 (2018)

Rationale: Laos has rich natural resources and biodiversity that play a key role in the country's economic development prospects and resilience. The Lao population are directly dependent on forests, land, and related resources including non-timber forest products for their livelihoods. Natural resources are furthermore critical for the national socio-economic development. In 2018, natural resource-based sectors contributed one-third of GDP in 2018, and the Lao natural capital value of assets was quantified at \$149 billion, with 78 percent coming from water and forests and a further 22 percent from agriculture. The natural resources are especially valuable in times of COVID-19 when thousands of migrant young laborers return home unemployed and without income. Improving the sustainable management of the country's natural capital remains critical to ensure that it continues to deliver benefits for the population, particularly the most poor and vulnerable segments of the population. While Laos is rich in natural resources, environmental degradation, caused by both natural and man-made factors, has led to a reduction in natural wealth and poses a threat to sustainable development and household livelihoods. As a result of agriculture expansion, mismanaged forest plantation development, shifting cultivation and unsustainable timber harvesting, forest cover decreased from 61 percent in 2000 to 58 percent in 2015. The target of 70 percent forest cover in Laos by 2020 was postponed to 2030. Land rights of individuals and communities remain unclear within state forest areas, affecting mainly non-Lao-Tai ethnic groups.

WBG engagement: The WBG will support improved management of natural resources and increased agricultural productivity, in recognition that livelihoods of most poor and vulnerable groups rely heavily on natural resources and agriculture.

Knowledge gaps: There are significant gaps in analytical work to understand the impact of climate change and depleting natural resources on poverty reduction and the cost of climate action to productivity and poverty reduction.

SDGs associated:

- SDG1: End poverty in all its forms everywhere
- SDG13: Take urgent action to combat climate change and its impacts
- SDG15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss.

CPF Objective 8: Improved and climate-adaptive management of forests, biodiversity and protected areas.

This CPF objective is a continuation of the previous CPF objective of promoting protection of the environment and responsible management of natural resources. The CLR rates progress under the previous CPF's corresponding objective as mostly achieved.

Rationale: Improving the sustainable management of the country's natural capital remains critical for livelihoods, particularly those of the most poor and vulnerable. While Laos is rich in natural resources, environmental degradation, caused by both natural and man-made factors, has led to a reduction in natural wealth and poses a threat to sustainable development and household livelihoods. As a result of agriculture expansion, mismanaged forest plantation development, shifting cultivation, and unsustainable timber harvesting, forest cover decreased from 61 percent in 2000 to 58 percent in 2015. The target of 70 percent forest cover in Laos by 2020 was postponed to 2030. Land rights of individuals and communities remain unclear within state forest areas, affecting mainly non-Lao-Tai ethnic groups.

Lessons learned and new knowledge at the program level: Diversification and sustainability of income-earning opportunities and job creation in specific landscapes for specific villages can help reduce pressure on biodiversity and natural resources and boost resilience. Regulated private sector led tourism development can have greater benefits for both employment and income generation for local people, and greater investment and benefits for conservation, than Government-led supply-driven strategies. Trade-offs among conservation, development, and poverty reduction goals can be managed by addressing customary land and resource use claims ex ante and by more meaningfully incorporating community knowledge and livelihood needs into system design.

WBG support: The program will support regulatory oversight and planning of the solid waste sector, environmental risk management and climate change actions. ASA will develop climate and disaster risk screening toolkits, integrate climate risk considerations into the national investment guidelines, and support policies for green jobs, notably in the waste management and ecotourism sectors. Furthermore, IDA financing will support land use planning, forestry livelihoods, resilient village-scale infrastructure, the development of ecotourism related to protected areas, and improvement of tenure security and land administration services in selected forest areas. A proposed dam safety operation in the outer years of the CPF would support institutional and legal frameworks to improve the safety of dams and resilience of downstream communities and ecosystems. ASA will focus on elements of a green growth strategy such as E-mobility and Clean Cooking. A joint WBG Country Climate Development Report (CCDR) will identify opportunities for climate actions by the public and the private sectors. IFC will continue to support clean and renewable energy generation capacity and explore private sector wind and solar energy opportunities. IFC will also support sustainable forestry through its advisory engagements and will continue to provide ad hoc client-based advisory services to support private sector stakeholders manage environmental and social risks. Furthermore, IFC will explore investment opportunities in agroforestry projects that promote sustainable linkage with smallholders and communities. MIGA's potential support for the expansion of a eucalyptus plantation with possible climate mitigation and adaptation benefits.

Key risks and mitigation: It is probable that improved opportunities for plantation agriculture, especially in the north, will accelerate land-use conversion. There are also signs that the worsening fiscal situation may prompt the government to facilitate mineral prospecting and mining in protected areas. On both of these issues the WBG has limited influence but will

continue advocacy for forest protection with the government and the National Assembly. Laos has made a Nationally Determined Contribution commitment to reverse deforestation and this will be a key entry point for this dialogue. The Green Agriculture Competitiveness and Value Chain Development Project will encourage environmentally-sound farming practices but, since its focus will be on smallholders, it will not address large-scale or plantation agriculture.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>COI 8.1: Landscape areas with maintained or increased forest cover</p> <p>Baseline [2021]: 0 Ha Target [2026]: 2,000,000 Source: P170559/ P171406 Landscapes and Livelihoods IDA/GEF</p> <p>COI 8.2: Forest area brought under management plans (Ha)</p> <p>Baseline (2022): 1,813,211 (976,211 supported under SUFORD and 837,000 supported under LENS2 (Nakai Nam Theun and Nam Et Phou Louey)) Target (2026): 3,313,211 (Baseline + 1,500,000 Ha planned under LLL) Source: P170559 Lao Landscapes and Livelihoods Project IDA/GEF</p> <p>COI 8.3: Reduced emissions from deforestation and forest degradation (tCO₂e).</p> <p>Baseline [2021]: 1,800,000 Target [2025]: 8,400,000.00 Source: P130222 Scaling-Up Participatory Sustainable Forest Management (SUFORD), P165751 FCPF Carbon Fund: Lao PDR Northern Laos Emission Reductions Payments Project</p> <p>COI 8.4: Protected areas that score over 50 on the global PA Management Effectiveness Tracking Tool (METT)</p> <p>Baseline [2021]: 3 Target [2026]: 8 Source: P170559 Lao Landscapes and Livelihoods Project IDA/GEF. The 8 protected areas include: Nam Et-Phou Louey National Park; Tor Sip; Phou Khao Khouay National Park; Phou Hin Poun; Nakai Nam Theun National Park; Him Nam No; Khoun Xe Nongma; and Laving Laverne.</p>	<p>SPI 8.1: Long-term low emissions development strategy developed.</p> <p>Baseline [2021]: No Target [2023]: Yes Source: P175996 Lao Environmental and Waste Management Project; P177594 Supporting Action on Climate Change and Green Growth in Lao PDR</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • P128392 Second Lao Environment & Social Project (LENS2) GEF • P128393 Second Lao Environment & Social Project (LENS2) • P169669 Enhancing Systematic Land Registration Project • P170559 Lao Landscapes and Livelihoods (LLL) • P171406 Lao Landscapes and Livelihoods (LLL) GEF • P165751 FCPF Carbon Fund: Lao PDR ER Payments Program • P170640 Public Information and Awareness Services for Vulnerable Communities (PIASVC) RETF • P169538/P170644 Lao PDR Clean Cook Stove Initiative TF <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • P175996 Lao Environmental and Waste Management Project • P179146 Smallholder Green Agriculture Competitiveness Project (follow-on Agriculture Competitiveness) • P178545 Community Livelihood Enhancement and Resilience Project • Dam Safety and Management • Wind Power (IFC) • MIGA Burapha Agro-Forestry project <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • P177594 Supporting Action on Climate Change and Green Growth in Lao PDR • P179096 Opportunities and Social Risk Management in the Rural Landscape in Lao PDR • Lao Forestry Burapha E&S (IFC) <p>ASA Pipeline (indicative):</p> <ul style="list-style-type: none"> • Country Climate Development Report (CCDR) ASA • Climate Change and Green Growth PASA

- Floating Solar (Upstream IFC)

CPF Objective 9: More productive and climate adapted agriculture

Although agriculture was identified as a key priority under the previous SCD, it was subsumed under the broader theme of inclusive growth. The present CPF, however, proposes productive agriculture as a distinct objective, in acknowledgement of the SCD's observations on agriculture's key role in generating labor incomes for the poor.

Rationale: Agriculture constitutes 60 percent of employment, but prevailing levels of labor productivity are low and farm income remains vulnerable to climate and price shocks. Between 2015 and 2020, agricultural growth averaged 2.3 percent per year but most of this agriculture growth has come from an expansion in the land under cultivation, often at the expense of forest cover rather than through productivity improvements. Value-added per worker per year is \$ 863 (2019, constant 2010 US dollars), compared with \$ 1,348 in Cambodia and \$ 1,313 in Vietnam. Farm income is also vulnerable to external factors including volatile agricultural prices, climate shocks, pests, or other natural disasters. The sector employs 83 percent of women. However, female-headed households have less access to agricultural land and productive assets, information, extension services and training, labor, credit, and markets than male-headed households. With less than 20 percent of rural lands titled, access to formal credit is limited, hampering households' ability to cope with shocks and disincentivizing them to invest in their land and improved agricultural practices.

Lessons learned and new knowledge at the program level: Lessons from World Bank-financed agricultural project show that more transformative impact is increased when technological adoption, infrastructure upgrades, and improved commercial relationships are pursued in parallel with targeting value chains selected based upon the growth and improvement potential. Global experience highlights the importance of organizing farmers and enabling them to build regular and sustained commercial relationships with upstream and downstream agro-enterprises. Lessons learned from past extension projects in Lao PDR show the top-down approach is ineffective. Experience shows that participatory planning at the village level, with village authorities playing a coordinating role, is a key to success. Another lesson is when promoting farmer adoption of improved seeds, it is important to address the market demand for increased surplus of agricultural products.

WBG support: The WBG program will support agriculture productivity, with a focus on smallholder farmers, especially women and youth, and areas with high potential for poverty impact. The program will support increased adoption of improved varieties and high-quality seeds, increased application of good agricultural practices, provision of critical productive infrastructure, improved tenure security and land administration services, and measures to better link smallholders, including female heads of households, to markets. The proposed follow-on Green Agriculture Competitiveness and Value Chain Development Project would support economic clusters, with a focus on women smallholders, targeting areas that have high potential for high-value value chain development and highest levels of poverty. The project would promote inclusive green growth and build climate resilient agri-food systems. The project would also integrate digital agriculture technologies to promote sustainable resource management (improved use of water, land, and agricultural inputs) and increase producers' access to markets, information, knowledge, and finance. Analytical work will support selected smallholder value chains, with a focus on women. IFC will explore upstream and mainstream opportunities to invest in the agricultural sector at relevant stage along the value chain.

Key risks and mitigation: Increasing agriculture productivity is dependent on smallholder farmers adopting new farm practices, getting access to appropriate productivity enhancing inputs and properly using them. The program will seek to mitigate the risk that these conditions might not materialize by qualifying smallholders to focus on those with interest and commitment to improve their on-farm productivity, engage with extension workers to improve farming practices, secure improved inputs and adopt new practices.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>COI 9.1: % Increase in agricultural land productivity. Baseline [2021]: 0 Target [2024]: 20% Source: P161473 Agriculture Competitiveness Project</p>	<p>SPI 9.1: Farmers reached with agricultural assets or services Baseline [2022]: 0 Target [2024]: 25,000</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • P161473 Agriculture Competitiveness Project • P169669 Enhancing Systematic Land Registration Project

<p>COI 9.2: % Farming area under sustainable farming practices. Baseline [2020]: 0 Target [2025]:25% Source: P161473 Agriculture Competitiveness Project</p> <p>COI 9.3: % Increase in sales of farm produce as a share of production among targeted farmers supported by the project Baseline [2020]: 0 Target [2024]: 25% Source: P161473 Agriculture Competitiveness Project</p> <p>COI 9.4: Farmers adopting improved agricultural technology Baseline [2021]: 4,495 Target [2024]: 12,500</p> <p>Baseline female [2021]: 1,042 Target female [2024]: 5,000 Source: P161473 Agriculture Competitiveness Project</p> <p>COI 9.5: % Land titles or use certificates issued in name of women or jointly in Lao PDR Baseline [2021]: 38.43 Target [2026]: 42.50 Source: P169669 Enhancing Systematic Land Registration Project</p>	<p>Source: P161473 Agriculture Competitiveness Project, SEARECC</p>	<p>Financing Pipeline:</p> <ul style="list-style-type: none"> • P179146 Smallholder Green Agriculture Competitiveness Project
<p>Cross-cutting theme: Strengthened governance and institutions</p>		
<p>This is a continuation of the previous CPF cross-cutting theme of strengthening institutions and systems for improved policy implementation, with a stronger focus on institutional strengthening.</p>		
<p>Rationale: Strengthening governance and institutions will be a cross-cutting theme supporting all CPF objectives. Strong coordination among public institutions is key to promoting macroeconomic stability, mobilizing domestic resources, and delivering effective public services. Stronger and more capable oversight institutions can also promote greater accountability. Institutions are also important for the design and implementation of regulatory reforms that contribute to a more vibrant private sector, build synergies in infrastructure projects, and enhance human capital and productivity (HLO2). A redefined relationship between the state and markets can support private sector development, with stronger independent regulatory bodies to enhance competition³². Stronger protection for property (especially land) and creditor rights could also stimulate private sector activity, while labor market institutions are also crucial to achieve full and productive employment. Improved governance and strong institutions are required to effectively manage natural resources and stem state capture, especially in a context of high resource rents. Institutions are also important to build resilience to shocks.</p>		

³² <https://openknowledge.worldbank.org/handle/10986/27879>

Lessons learned and new knowledge at the program level: Governance reforms are complex in nature and politically sensitive. They often require a long time to design and implement, especially in a context of limited capacity. Change often occurs through small, incremental changes. In addition, reforms are often hampered by slow decision making. Due to low capacities, decisions could take a long time to materialize and often only a few officials may be empowered to take them.

WBG support: The WBG program will support interventions aimed at enhancing governance and institutions both through dedicated projects and ASA activities, and by mainstreaming institutional strengthening activities in sectoral interventions. WB support will focus on: building government capacity, systems, and processes; addressing pervasive data constraints; improving the government’s ability to identify problems, make evidence-based policy decisions, and transparently monitor the effectiveness of reform efforts. The WB Program will also aim to improve the effectiveness of the public sector through interventions aimed at strengthening policy formulation, coordination, and implementation at the center of government, in line ministries and in SOEs in all sectors of engagement. Transparency and accountability will also be enhanced by building the capacity of the National Assembly and the State Audit Organization and providing more and better information related to public finances to citizens.

Key risks and mitigation: The main risks are related to lack of commitment to reforms and limited capacity for implementation. These will be mitigated through continuous policy dialogue and enhancing capacity through technical assistance. Demonstrating the link between strengthened institutions and achieving growth and prosperity will also be mainstreamed in the dialogue and program interventions. Engaging with a broad range of sectors inside the government and outside will also contribute to mitigating this risk.

Cross-cutting Theme Indicators	Supplementary Progress Indicators	WBG Program
<p>CCTI 1: Transparency of public finances</p> <p>Baseline [2019]: 1 out of 6 indicators of PEFA Pillar II score above Target [2025]: 4 out of 6 indicators of PEFA Pillar II score C or above Source: PEFA 2018 (published in 2019)</p> <p>CCTI 2: State Budget Policy Statement prepared</p> <p>Baseline [2021]: No Target [2024]: Yes</p> <p>Source: P167660 PFM Reform Program PASA; P167661PFM Reform Project RETF</p>	<p>CCSPI1: Adoption of Prime Minister’s decree on budget formulation</p> <p>Baseline [2021]: No Target [2024]: Yes</p> <p>Source: P167660 PFM Reform Program PASA; P167661PFM Reform Project RETF</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • P167534 E-FITS Project • P162565 Reducing Rural Poverty & Malnutrition Project <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • P178002 Strengthening the National Statistical System Project • SREMP (continuation of E-FITS) • P178883 Reducing Rural Poverty and Malnutrition Project II (RRPM II) • P179016 Lao PDR PFM Reform Project • Modernizing Human Resource Management in Education and Health for Better Outcomes <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • P179015 Programmatic PFM Reform Program PASA • P176151 Lao PDR Poverty and Equity PASA

Annex 2 – Completion and Learning Review of the Country Partnership Framework for the Lao People’s Democratic Republic FY2017–FY2021

Date of CPF Board Discussion: April 24, 2017 (Report No. 110813-LA)

Date of CPF Performance and Learning Review: February 12, 2020 (Report No. 144354)

Period Covered by the Completion and Learning Review: FY2017-FY2021

I. INTRODUCTION

1. This Completion and Learning Review (CLR) assesses the development outcomes and performance of the World Bank Group’s (WBG) Country Partnership Framework (CPF) for the Lao People’s Democratic Republic (Laos) for the period FY17-FY21. The CPF covered three focus areas: 1) supporting inclusive growth through sustainable public finances and financial sector stability; 2) investing in people by reducing malnutrition, improving learning and keeping girls in school, and increasing access to maternal and child health; and 3) protecting the environment through responsible natural resource management and enhanced climate and disaster resilience. It also identified a cross-cutting theme of strengthening institutions and systems for improved policy implementation. The Performance and Learning Review (PLR) confirmed this structure and the time frame of the CPF in line with the 8th National Socio-Economic Development Plan (NSEDPP) 2016-2020. This CLR rates the CPF’s development outcomes as **Moderately Unsatisfactory** and the WBG performance in designing and implementing the CPF as **Good**.

2. **Progress toward the CPF objectives (Table 1) was mixed.** Laos registered solid progress in strengthening the contribution of infrastructure to growth and inclusion through road connectivity and by extending electricity coverage to 100 percent of the rural population “the last mile” (Objective 1.3). MIGA’s guarantee is expected to increase electricity generation for domestic and export demand. The Lao government made a strong commitment to reducing malnutrition through a cross ministerial approach targeted at the neediest localities (Objective 2.1). Gradual progress continued in education and health services (Objectives 2.2 and 2.3). Natural resource management received major attention through the government’s new comprehensive green growth strategy, plus advances in the status of protected areas and in forest management (Objective 3.1). Less progress was made in macroeconomic management and the business environment. Despite improvements in the public finance management framework, public debt increased, in partly due to emerging contingent liabilities in the energy sector (Objective 1.1). Navigating difficulties in the macro-economic environment, IFC supported micro, small, and medium enterprises (MSMEs) through selected financial institutions. Laos’ relative position across the range of indicators measuring the investment climate showed no consistent trend during the CPF period, FY17–FY21 (Objective 1.2).

3. **Economic growth slowed during the CPF due to a combination of structural factors and adverse shocks.** The CPF projected that growth during the period would average 7 percent per annum, roughly in line with previous trends, but growth rates steadily declined after 2017. Serious flooding in

2018 and 2019 contributed to reduced growth of less than 6 percent, while the onset of COVID-19 in 2020 limited growth to 0.5 percent. The COVID-19 shock has adversely affected household incomes through the collapse of remittances and implosion of the service sector, a major source of employment. Recovery in agriculture following the 2019 shocks buffered these impacts for many rural households. Government finances were severely affected, with domestic revenue declining steeply to 2.5 percent of GDP. In the energy sector, lower offtakes from power exports, the main source of external revenue, severely affected financial viability while rising debt created substantial fiscal risk. In general, the limitations of Laos' capital and resource intensive growth model became more apparent during the CPF period.

4. Prior to the COVID-19 pandemic, Laos registered reduced poverty but increasing income inequality. Between 2012/13 and 2018/19, the incidence of poverty declined by 6.3 percentage points to 18.3 percent. This decline was marked in regions that had previously lagged behind the rest, mainly due to growing demand for cash crops following increased connectivity. Despite rapid growth, gains in household income were modest and inequality increased. During this period, per-capita GDP grew by 5.6 percent per year. Per-capita consumption grew by 3.3 percent for the average household, but only by 1.9 percent for households in the bottom 40 percent. The structure of GDP growth, reliant on investment in capital intensive sectors (mining and hydroelectricity), but with negligible employment impact, contributed to this result. The COVID-19 pandemic disproportionately affected vulnerable groups. The incidence of poverty increased by an estimated 1.2 percentage points in 2020 (to 18.5 percent), as compared to a scenario without the pandemic (17.3 percent). The Gini coefficient, a measure of inequality, increased from 36 to 38.8.

II. PROGRESS TOWARDS CPF DEVELOPMENT OUTCOMES

5. Progress toward achievement of CPF development outcomes was moderately unsatisfactory. Although the PLR assessed progress under the CPF as largely on track, with several CPF objective indicators already achieved, a deterioration in Laos' macroeconomic situation, driven by increasing debt and supplemented by the negative economic and social impacts of the COVID-19 shock, leads to a more cautious assessment. Of the eight objectives and one cross-cutting theme, the CLR assesses one as not achieved, three as partially achieved, four as mostly achieved, and only one as achieved. This is consistent with an overall rating of "moderately unsatisfactory" for CPF development outcomes. Table 1 summarizes the achievement of each CPF objective and its respective indicator ratings. This review then briefly describes key aspects of progress under each objective. Annex 1 details results on each indicator, along with relevant supplementary information.

Table 1. Summary of CPF Objective Ratings and Indicator Achievements

CPF Objectives	Overall Outcome Rating	Indicators Achieved	Indicators Mostly Achieved	Indicators Partially Achieved	Indicators Not Achieved
Focus Area 1: Supporting Inclusive Growth					
Objective 1.1: Putting public finances on a sustainable path and supporting financial sector stability	Not Achieved	1	2	1	—
Objective 1.2: Making it easier to do business	Partially Achieved	1	1	2	1
Objective 1.3: Investing in infrastructure for growth and inclusion	Achieved	4	1	—	—
Focus Area 2: Investing in People					
Objective 2.1: Reducing prevalence of malnutrition	Partially Achieved	1	—	2	—
Objective 2.2: Improving quality of primary and pre-primary education and keeping girls in school	Mostly Achieved	1	2	—	—
Objective 2.3: Improving access to and quality of maternal and child health services	Mostly Achieved	3	1	—	—
Focus Area 3: Protecting the Environment					
Objective 3.1: Promoting protection of the environment and responsible management of natural resources	Mostly Achieved	2	—	1	1
Objective 3.2: Enhancing disaster risk management and climate and disaster resilience	Partially Achieved	—	1	2	—
Cross-Cutting Theme					
Strengthening Institutions and Systems for Improved Policy Implementation	Mostly Achieved	3	2	-	—
Overall CPF Achievements	Moderately Unsatisfactory	16	10	8	2

1. Focus Area 1: Supporting Inclusive Growth

6. Objective 1.1 – Putting public finances on a sustainable path and supporting financial sector stability. The CLR rates this objective as **not achieved**. Although all CPF indicators were achieved, partially achieved, or mostly achieved they do not adequately reflect the deterioration in public finances during the CPF period. WBG-supported activities delivered some of the intended outputs, which may have mitigated negative trends in public finances and financial sector stability, but were insufficient to prevent their deterioration.

- *Regarding public finances*, external public debt increased from 46 to 59 percent of GDP between 2015 and 2020, while total public and publicly guaranteed (PPG) debt was 72 percent of GDP in 2020³³. Debt service to domestic revenue increased from 16 to over 50 percent between 2015 and 2020. This accumulation of debt was associated with extensive public borrowing and guarantees in the power sector, which now account for around 40 percent of PPG debt. At the same time, revenue mobilization declined to 15 percent of GDP in 2019. Laos is subject to the Sustainable Development Finance Policy (SDFP) of IDA19. In FY21 the government completed Performance and Policy Actions (PPAs) which contributed to improved debt transparency and limitations on new external borrowing, a step toward sustainable public finances. During the CPF period, the WB contributed significantly to the public finance management (PFM) agenda. The PFM program included a broad set of collaborative activities to improve management of both revenue and expenditure (Annex 1).

- *In the financial sector*, analytical (Financial Sector ASAs, P160715 and P171539) and financial support (Financial Sector Safety Net, P169194) contributed to the establishment of capital adequacy standards and other international good practices and standards through revisions in the laws and regulations covering the Bank of the Lao PDR (BoL) and commercial banking (indicator 2, achieved, and 2a mostly achieved). IFC, in addition to providing credit to a financial institution for on-lending through its Investment Services, also employed its Advisory Services to help the BoL strengthen the payment system's legal framework and institutions by revising the Payment System Law, which introduced reforms to the payment sector, improved existing payment infrastructure, and introduced payment services via QR code and E-money. IFC also supported Secured Transactions Reform and the establishment of the BoL Credit Information Bureau (CIB), contributing to financial sector stability. Nonetheless, key indicators of banking sector stability deteriorated to some extent during the CPF period, with regulatory capital ratios already on a downward trend before the COVID pandemic. Moreover, it is probable that these indicators understate the deterioration because of regulatory forbearance during the COVID crisis. In conclusion, although the WBG did indeed lay foundations for improved financial sector regulation, an objective defined in terms of financial stability turned out to be over-optimistic.

³³ Prior to 2019, data on domestic and publicly guaranteed debt was incomplete or unavailable.

7. Objective 1.2 – Making it easier to do business. The CLR notes mixed outcomes under this objective and considers it **partially achieved**. Laos’ overall performance on the Ease of Doing Business Indicators remained stable during the CPF period as measured by the “distance to frontier metric,” which fluctuated around 50. At a disaggregated level, a significant improvement in the “distance to frontier” for accessing credit tackled one of the top obstacles identified in the 2018 survey (indicator 3, achieved).³⁴ Expanding credit coverage by the BoL CIB was an important factor in this. The volume of credit facilitated by the BoL CIB (indicator 3a, achieved) significantly exceeded targeted levels. IFC investment and analytical support supported increased access to credit for underserved groups through several investments and analytic support. Over 17,000 women MSME entrepreneurs benefited from the IFC initiatives³⁵. Progress on import clearances and obtaining an operating license could not be fully assessed, as the most recent Enterprise Surveys in 2020 did not include Laos. Alternative and qualitative evidence (detailed in Annex 1) suggests modest improvements in both areas (indicator 4, partially achieved; indicator 4a, partially achieved). The CLR could not assess whether agricultural productivity had increased through stronger linkages to global value chains as the WB investment in agriculture was delayed (indicator 5, not achieved). Drawing on the Global Competitiveness Index of the World Economic Forum to elicit a broader assessment of progress in the business environment, the CLR notes that Laos’ aggregate normalized score for the combined indicators in product, labor and finance markets rose from 53.3 in 2018-19 to 55.3 in 2019-20, suggesting an improving trend toward the end of the CPF period.³⁶

8. Objective 1.3 – Investing in infrastructure for growth and inclusion. The CLR rates this objective as **achieved** based on investments and analytical work to support improved connectivity through the road network and power distribution, and improved economic inclusion through local infrastructure in areas targeted by the Poverty Reduction Fund (PRF) program. Building on long-standing support to the transport sector, including the Lao Road Sector Project II under the CPF, access to all weather roads and maintenance of the road network improved (indicators 6 and 6a, achieved). Analytical work highlighted how regional connectivity, in particular the Laos-China railway, can promote inclusive growth, if combined with investments, such as access roads and policy reforms to support multi-modal transport and modernization of logistics.³⁷ World Bank poverty assessments attribute to cash cropping and agricultural exports, which were facilitated by transport investments, the fact that poverty reduction was most rapid in the north. During the CPF period Electricité du Laos (EDL) extended the power distribution system to connect the last 10 percent of the population.³⁸ WB financing support to the power grid focused on improving the efficiency and reliability of the system, contributing to a reduction of over one-third in distribution losses (indicator 7, mostly achieved). MIGA

³⁴ The World Economic Forum’s Global Competitiveness country profile for Laos also confirms the critical role of access to finance among problematic factors in doing business ranking it second in the 2016-17 index and third in 2017-18.

³⁵ Per data from IFC investment services in Acleda Lao Kip (IFC’s DOTS portal).

³⁶ Comparison with earlier years is not possible due to changes in index compilation between 2017 and 2018.

³⁷ IFC’s Lao Road PPP project, aimed to help the Ministry of Public Works and Transport (MPWT) pioneer a PPP model incorporating international best practice. Limited counterpart capacity and commitment to absorb relatively new and complex concepts in the project structure led IFC to cancel the project.

³⁸ Access to electricity estimated at 100 percent by 2019 as per the WB SE4ALL data base.

continued to support the Nam Theun 2 hydropower plant through its political risk guarantee. Enhancing infrastructure services at the local level is a key aspect of inclusive growth. Since its establishment in 2002, the WB-supported PRF has been a key instrument for investing in rural infrastructure. During this CPF period, the PRF achieved the goal of an 80 percent reduction in the time required to access safe water in 43 target districts, and increased beneficiary coverage in those districts to over 50 percent (indicators 8 and 9, achieved).

2. Focus Area 2: Investing in People

9. **Objective 2.1 – Reducing the prevalence of malnutrition.** The CLR rates progress toward this objective as **partially achieved**, reflecting both achievements and challenges under the complex multi-sectoral nutrition convergence approach (MNCA) adopted in Laos (and considered best practice globally). The MNCA, which only became fully operational during the final year of the CPF period, brings together projects from five WB Global Practices (Education, Health, Rural Development, Water/Sanitation, and Social Protection) with common geographic coverage, delivery platforms, messaging, and monitoring and evaluation. The results framework targeted reduced stunting rates for children under 2 years old in focus regions. Results reported in the PLR, based on the household survey of 2017, indicated that the target threshold had been reached. The next round of the household survey will take place in 2022; but data collected in 2020 for the MNCA impact evaluation baseline suggests little change in stunting for under-2s since the 2017 survey.³⁹ Other indicators recognized as determinants of nutrition outcomes registered significant improvements during the CPF period. These included improved prenatal, infant, and young child monitoring (detailed in Annex 1 under indicator 10, partially achieved).⁴⁰ The government fully committed to the MNCA with a corresponding cross-ministerial mechanism coordinated by the Ministry of Planning and Investment. The PLR results framework increased the target for number of facilitators trained in social behavior change communication, as the original target had been exceeded. While there has been a significant increase in trained female facilitators, the total appears to fall short of the revised PLR results framework target by about 20 percent (indicator 10a, partially achieved). The number of defecation free villages (over 500) has greatly exceeded expectations under the WB’s Health Governance and Nutrition Development Project (HGNDP) (P151425) (indicator 11, achieved).

10. **Objective 2.2 – Improving the quality of primary and pre-primary education and keeping girls in school.** The CLR rates progress toward this objective as **mostly achieved**. Better access to pre-primary education and higher retention rates in early primary school, disaggregated by gender, document progress in keeping more girls in school (indicator 12, achieved and indicator 13, mostly achieved). The PLR introduced an indicator on learning outcomes at pre-primary level, tracked under the Global Partnership for Education II Project (P149130). While the indicator fell marginally short of the intended improvement, as documented in Annex 1, it reflected good progress, especially given the

³⁹ The 2020 data relates only to the MNCA target areas; but as these areas were chosen based on high prevalence of malnutrition, the stunting rate at the national level is unlikely to be greater.

⁴⁰ The HGNDP has supported these activities prior to MNCA.

impact of COVID-19 on school attendance and learning (indicator 14, mostly achieved). The impact evaluation conducted under the Early Childhood Education project (P145544) also documented quality improvements in pre-primary education.

11. Objective 2.3 – Improving access to and quality of maternal and child health services. The CLR rates this objective as **mostly achieved**, reflecting good progress in the delivery of maternal and child health (MCH) services, vaccination, and family planning. Services supporting pregnant women (ante-natal visits and skilled birth attendants) reached over 20 percent more women during the CPF period as compared to the target of 10 percent (indicators 15 and 16, achieved). The percentage of teenagers and young adults receiving the Pentavalent vaccine totaled 92.6 percent, well exceeding the target of 85 percent (indicator 16a, achieved). The metric for monitoring women’s access to family planning services changed for technical reasons, to ensure data accuracy as part of the restructuring of the HGNDP in 2017. The new metric, documented under HGNDP, increased by 9.1 percent over the redefined baseline, falling marginally short of the 10 percent target (indicator 17, mostly achieved). While the COVID-19 pandemic had an impact on health service delivery and outcomes, the HGNDP and Health and Nutrition Services Access projects, and technical support through programmatic ASA helped Laos shift its focus from vertical disease control toward Universal Health Care and achieving “last-mile” health service coverage.

3. Focus Area 3: Protecting the Environment

12. Objective 3.1 – Promoting protection of the environment and responsible management of natural resources. While acknowledging a substantial continuing agenda to promote this objective, the CLR rates progress under the CPF as **mostly achieved**. Through the Second Lao Environment and Social Project (LENS2, P128393), the WB supported the development of protected area management guidelines and the protection of nine priority forest areas and two other protected areas. The WB used the data and experience from these activities to strengthen policy dialogue on overall protected area management. The protected area Management Effectiveness Tracking Tool (METT - a globally recognized metric) registered an increase over the baseline score of 22 to a score of 46, significantly exceeding the target of 32 for the 1.3 million hectares (ha) of protected areas (indicator 18, achieved). Forest management planning progressed significantly, with 3.4 million ha brought under landscape plans relative to the target of 0.75 million ha (indicator 18a, achieved). In addition, the government upgraded five national protected areas to national parks during the CPF period, with WB financing supporting the first two of these, Nakai-Nam Theun and Nam Et–Phou Louey. Through SUFORD SU (P130222), the Forest Stewardship Council certified 108,408 ha of production forest areas as meeting either its forest management or controlled wood standard (roughly half under each standard). LENS2 and SUFORD SU interventions supported local livelihoods, reducing pressure on forest resource exploitation and deforestation. IFC advisory services supported private companies and government counterparts in developing business models and strengthening the environmental and social (E&S) policy framework for the hydropower and the sustainable forest plantation sectors. The Hydro E&S advisory intervention, in collaboration with the WB, resulted in improved E&S obligations for the Water Law and concession agreements for hydropower projects. Meanwhile, the IFC Forestry AS helped the

government conclude its first concession agreement for converting degraded forest to sustainable plantations.⁴¹ MIGA's support for the Nam Theun 2 Hydropower plant continued to provide for increased environmental protection through the conservation of a biodiversity area. The project enabled the involvement of *Electricite de France* who brought the required E&S technical capacity, thereby enabling significant transfer of knowledge/skills in the E&S space. Progress toward specific environmental protection measures was substantial but encountered delays. Two river basin plans are in the final stages of a long approval process but as of June 2021, the Ministry of Natural Resources and Environment (MONRE) had not formally approved them (indicator 19, partially achieved). The operation of priority pollution watch-sites was also delayed, with selection criteria only approved in April 2021 (indicator 19a, not achieved). More broadly, the WBG contributed to adoption of the National Green Growth Strategy 2030, a revision of the Forest Law, the Land Law, the Environmental Protection Law, the development of pollution management guidelines including provisions for public disclosure, and the Decree on Environmental Impact Assessments (EIA) with provisions for public access. The Green Growth DPOs 1 and 2 supported a program that engaged policy makers in implementing more than 15 actions covering forestry, river basin management, energy, biodiversity, tourism, disaster risk, climate change, and environmental management. Together, these activities marked substantial progress toward managing natural resources for growth and inclusion. The objective also benefited from the involvement of the National Assembly in the Green Growth agenda — an enhanced level of national commitment. Laos significantly improved its ranking in the global Environmental Performance Index between 2016 and 2020, overtaking Cambodia and Vietnam in the rankings.⁴²

13. Objective 3.2 – Enhancing disaster risk management and disaster and climate resilience. Progress toward this objective was mixed, with a CLR rating of **partially achieved**. Overall, the Bank successfully supported Laos in shifting focus increasingly toward resilience across a range of infrastructure investments, and in disaster forecasting. Implementation delays and the COVID-19 pandemic however, limited the results. Good progress was made in increasing the resilience of infrastructure, with 95 percent of the target achieved for climate resilient road improvements⁴³ (indicator 20, mostly achieved). The availability of real time forecasts from an expanded network of hydro-meteorological stations fell short of the target for the CPF period. Weather forecasts from an additional 25 upgraded hydro monitoring stations are now publicly available. However, due to design and procurement issues, exacerbated by COVID-19 related delays, the establishment of 70 additional

⁴¹ IFC Forestry AS and investment also contributed to an amended Decree on Promoting Commercial Tree Plantation, an amended ministerial instruction on the National Registry of Plantation Forests and Planted Trees, and development of a Traceability System on Registered Plantation Forests with training in provinces and districts.

⁴² Laos' ranking improved from 148 in 2016 to 130 in 2020. Cambodia improved from 146 to 139; while Vietnam deteriorated from 131 to 141. The EPI is published by the Yale University Center for Law and the Environment and uses 32 performance indicators across 11 categories to rank 180 countries on environmental health and ecosystem vitality. Laos was among regional leaders in biodiversity and habitat, especially the representativeness of protected areas, and in sustainable nitrogen management in agriculture. Details at epi.yale.edu.

⁴³ The climate resilient roads improvement measures the length of road that receives periodic maintenance integrating designs and techniques that account for disaster and climate change risk to enhance the climate resilience of the road, LRSP 2 Additional Finance Project Paper (P170951).

meteorological observations stations was delayed (indicator 21, partially achieved). The ongoing Lao PDR Southeast Asia Disaster Risk Management Project continues to support the disaster mitigation objectives along these lines. The Bank support for disaster risk financing instruments was less extensive than envisaged because of macro-stability concerns; a CAT-DDO was cancelled in 2020. However, Laos accessed the Bank-supported Southeast Asia Disaster Risk Insurance Facility (SEADRIF) in March 2021, signing up for a three-year disaster risk insurance coverage.

14. Cross-cutting theme – Strengthening institutions and systems for improved policy implementation. The CLR rates progress under this broad theme as **mostly achieved**, based on indicators identified in the PLR and on additional evidence across all three focus areas. The institutional environment in Laos remains weak, particularly in data availability, quality, and access, in debt management and transparency, and in key aspects of the financial sector. Nevertheless, activities supported under the CPF strengthened legal and administrative frameworks, enhanced systems and planning, fostered coordination across government agencies and levels, and promoted monitoring and evaluation. WBG analytical work and financing support to the legal and administrative framework contributed to a range of amended or new laws. Although these did not guarantee improved policy implementation; they contribute a key step to a process continuing over multiple CPF periods. The amended BoL and Commercial Banking Laws brought the legal framework for the financial sector closer to international standards (indicator 2a). The revised Forest, Land, and Environmental Protection Laws, supported by WB and IFC's AS, significantly strengthened the legal framework for natural resource management (as noted in paragraph 12 above). A new Mineral Law, including 13 implementing regulations and guidelines, gave increased prominence to sustainability in mining exploration. Amendments to the Electricity Law supported an integrated approach to power planning, enhanced competition and entry, and increased the accountability of government agencies.⁴⁴ A range of new/amended laws in public finance, income tax, VAT, excise, and tax administration laid the basis for increasing revenues, a key to greater macroeconomic stability. WB support to the registration and maintenance of vital statistics strengthened the administrative framework for health, education, and social protection. Support to the Public Procurement Division helped enhance its oversight capacity and supported the preparation of a comprehensive public procurement manual and a set of standard bidding documents, a complaints mechanism, framework agreements, and an upgraded website to publicize procurement opportunities and disclose awarded contracts, thereby enhancing transparency. During the CPF period, the government, with WBG support, adopted sector strategies and action plans for PFM, clean energy, and mining (Indicators 24, 25, mostly achieved and 24a&b, achieved) and transport. In addition, IFC supported the new Electricity Law and guidelines on sustainable hydropower development. The energy, mining, and transport strategies link to the overarching National Green Growth Strategy and Vision 2030. Improved road asset management systems laid the basis for enhanced efficiency through output- and performance-based contracts and by integrating climate resilience into road maintenance. The Bank has supported the development of seven river basin

⁴⁴ The ICR for the HMTA Project (P109736) found that overall WB support had enhanced planning capacity, improved institutional process, and increased transparency leading to improved performance. IEG's review confirmed these results validating a step by step, long-term engagement over multiple CPF periods.

management plans, as well as three joint action plans to address transboundary water management issues in the Mekong basin. Under the WB support to MSME A2F,⁴⁵ two private banks developed MSME business strategies. From rudimentary beginnings less than two decades ago, the government has continuously strengthened the systems supporting environmental and social impact assessments (ESIA). During this CPF period, 52 percent of Category 2 projects⁴⁶ have disclosed an ESIA prior to concluding a concession agreement (indicator 23, achieved).

15. Inter-ministerial coordination and monitoring and evaluation are key building blocks for improved policy implementation. Bank support to inter-ministerial coordination during the CPF centered on the MNCA (paragraph 9), which brings together activities from four new projects under common delivery mechanisms, with communications and messaging platforms targeting the same locations in four provinces.⁴⁷ The Ministry of Planning and Investment (MPI) convenes quarterly coordination meetings at national level with the four WB nutrition-sensitive projects. Vice-ministers from the relevant ministries and vice-governors from the participating provinces constitute a high-level steering committee. This coordination structure was replicated at provincial and district levels and represents a significant commitment from the Lao authorities to tackling the complex and persistent challenge of reducing malnutrition. The MNCA includes a monitoring and evaluation (M&E) framework managed by the MPI. This will (a) track the convergence of the Bank’s portfolio of nutrition interventions at village level, (b) report on nutrition indicators, and (c) through an impact evaluation, quantify the impact of the convergence approach, its cost-effectiveness, and the effectiveness of individual interventions associated with individual projects. As the projects are interconnected through the common delivery platform, a delay in one impacts the others. The MPI’s coordination mechanism is an essential element in sustaining the common delivery platform. This degree of inter-ministerial coordination required a careful roll out and phasing in of activities with substantial cross-project ownership at all levels. This represented a significant achievement in institutional strengthening, with a direct impact on policy implementation.

III. WORLD BANK GROUP PERFORMANCE

16. The CLR rates overall WBG performance in the design and implementation of the CPF as good. The CPF built on solid analytical foundations and strongly supported Laos’ own development agenda. Its assessments were realistic and considered both operational and strategic lessons from the previous CPF. The emphasis on sustainability and shifting to a “Green Growth” development path was forward-looking, in line with a broader paradigm shift in development thinking. Implementation benefited from innovative approaches but also encountered challenges as risks materialized in both the policy and natural environments, notably the COVID-19 pandemic. The WBG met these challenges

⁴⁵ Micro, Small, and Medium Enterprise Access to Finance Emergency Support and Recovery Project (P174169)

⁴⁶ Category 2 project are large investment projects that are complicated or create substantial impacts on the environment and society require EIAs.

⁴⁷ The four new projects are: Reducing Rural Poverty and Malnutrition), led by Social Protection and Jobs, Health and Nutrition Services Access Project, led by Health, Scaling Up Water Supply, Sanitation, and Hygiene Project, and PRF III Additional Financing, led by Social Development.

pro-actively in line with the CPF objectives. The PLR reaffirmed the CPF focus areas and themes but made adjustments to the results framework. Both CPF design and implementation emphasized collaboration within the WBG and among development partners.

Design and Relevance

17. The CPF was aligned with the preceding 2017 Systematic Country Diagnostic (SCD). The 2017 SCD provided a comprehensive analysis of development achievements and challenges in Laos, identifying three pathways to more inclusive and sustainable growth: 1) sustainable and efficient natural resource management; 2) promoting growth in the lagging non-resource sectors; and 3) building human assets. Underpinning these, the SCD emphasized the strengthening of institutions, especially by dampening economic volatility, increasing accountability, and promoting a rules-based environment. The SCD translated these pathways into 12 priorities, underpinned by the cross-cutting theme of strengthening institutions. The CPF closely followed this structure. Focus Areas 2 and 3 (human assets and natural resource management) followed directly from corresponding SCD pathways, as did the CPF cross-cutting theme, institutional strengthening. CPF Focus Area 1 corresponded to the 8th NSEDP, bringing together the SCD priorities related to public finance and banking, doing business and infrastructure investment. Investing in agriculture to increase rural incomes, a key element in the SCD's second pathway, was not included in the CPF and figured in the results framework only as an indicator under the objective of doing business. The CPF text alludes to this disconnect as a "rethinking" of the role of agriculture, linking it to trade and integration into commercial food value chains. Given that agriculture employs over 70 percent of the population and has long-underperformed, contributing to low poverty-growth elasticity and deteriorating income distribution, this relatively narrow focus fell short of fully recognizing agriculture's relevance to an inclusive green growth agenda.

18. The CPF was also aligned closely to the 8th NSEDP, which covered the same time period. The 10 objectives originally identified in the CPF mapped directly onto 10 of the 20 NSEDP objectives and followed a similar structure of focus areas and cross-cutting themes. One objective of the 8th NSEDP which the CPF did not map, aimed to reduce variability in agricultural production. This could have linked with the planned IPF (investment project financing) in agriculture; but the CPF did not make that connection. The NSEDP also included an objective promoting the role of women and youth. The CPF discussed the gender focus of the program in broad terms, indicating an intention to maintain or increase the proportion of gender informed operations relative to the reported level of 80 percent. Two of the CPF objectives had a specific gender focus: Objective 2.2. keeping girls in school, and Objective 2.3 delivering MCH services. The CPF arguably missed an opportunity to strengthen its support to the NSEDP by building gender more explicitly into its overall structure. Nevertheless, overall, the CPF was highly relevant to Laos' development agenda. The major challenges it identified in environmental and natural resource management, investing in people (especially children), and diversifying sources of growth were well justified in terms of Laos' own development strategy.

19. The CPF incorporated lessons from the previous CLR. In addition to incorporating findings from the 2017 SCD, the design of the CPF built on the CLR of the previous Country Partnership Strategy (FY12-16). The PLR further identified emerging lessons based on implementation of the first half of the CPF period. Both sets of lessons were reflected in the design and implementation of lending operations, technical assistance, and analytical products (Table 2).

Table 2. Lessons from the Previous CLR and PLR and CPF Design and Applications of Lessons

Lessons from the Previous CLR and PLR	Applications of Lessons in the Design and Implementation of the CPF
<ul style="list-style-type: none"> Considering political economy factors as determinants of government commitment is critical to program design. (CLR) 	<ul style="list-style-type: none"> The resumption of policy-based lending used the government’s strong ownership of the green growth agenda as an entry point. Support for policy-based lending paused when government commitment to a credible macroeconomic program faltered, but ASA engagement continued.
<ul style="list-style-type: none"> Identifying champions and strengthening coordination between ministries supports project implementation, but local capacity needs strengthening. (PLR) Delays in establishing new policies and procedures adversely affect project implementation and call for targeted TA and system strengthening (PLR) 	<ul style="list-style-type: none"> Following the PLR, the WBG reinforced support for capacity-building, including at the local level. World Bank staff increasingly provided hands-on support to implementing agencies. The Nutrition Convergence Program was designed to support inter-ministerial coordination.
<ul style="list-style-type: none"> A strong consolidated program of ASA is a key strength of the CPF and is highly valued by the client (CLR) 	<ul style="list-style-type: none"> CPF table 5 outlined a comprehensive ASA program) to support each development objective as indicated in the results framework. The role of ASA could have been highlighted more systematically in the CPF text. The World Bank increasingly emphasized core ASA, e.g., the Poverty Profile and Assessment and a Country Economic Memorandum. Joint WB-IFC ASA on forestry defined business plans for environmentally sustainable plantations and supported the development of the Bank’s landscapes project. Policy notes for the new government in 2021 drew on the stock of ASA to lay the groundwork for continuing collaboration. Impact evaluations undertaken jointly with Lao counterparts have helped guide the Bank’s strategy in education and will contribute to refinement of MNCA. Connectivity. The Climate Resilient Economic Corridor ASA (P171699) provides an analytical foundation for the new Southeast Asian Regional Economic Corridor and Connectivity Project (P177185, under preparation as of FY2022).
<ul style="list-style-type: none"> Presence and program leadership on the ground enable prompt response to 	<ul style="list-style-type: none"> The WBG responded swiftly to the dam failure and COVID-19 emergencies.

Lessons from the Previous CLR and PLR	Applications of Lessons in the Design and Implementation of the CPF
<p>client needs and emerging opportunities. (PLR)</p> <ul style="list-style-type: none"> Flexibility in the WBG- government dialogue cemented the relationship with the. (CLR) 	<ul style="list-style-type: none"> DRM dialogue has focused on financial mechanisms to respond to natural disasters (SEADRIF) and implementation of specific investments to make infrastructure more climate resilient. On dam safety, the government requested the Bank to leverage technical and financial assistance to support a review of more than 50 dams under construction and in operation. On the environment, the dialogue has broadened from green growth to include solid waste and plastic. Local presence and dialogue facilitated the Bank’s engagement in the revamped PFM agenda and the Green Growth DDO series. Requests emerged on connectivity and skills.
<ul style="list-style-type: none"> Engagement is critical in community-driven interventions, being as important as the provision of infrastructure. (CLR) 	<ul style="list-style-type: none"> Although the MNCA was not explicitly anticipated in the CPF, the discussion under objective 2.1 anticipated a community focused multi-sectoral approach building on the experience of the PRF.

20. The CPF outlined an appropriate and diverse set of instruments to help achieve the goals of the 8th NSEDP. The CPF supported each of the three focus areas with a combination of ASA and financing aligned to each development objective. For example, a series of knowledge products involving both WB ASA and IFC Advisory Services directly contributed to financing under objective 3.1, responsible management of natural resources. In infrastructure sectors such as transport and energy, ASA and investments maintained the Bank’s status as a valued partner. Building on a sector-wide approach in health, the CPF anticipated the introduction of results-based disbursements. Regional resources in applicable sectors (such as water, energy, or disaster insurance) also figured in the CPF design. Development policy financing had been a key instrument in Laos given the long and generally successful PRSO series.⁴⁸ The CPF shifted the focus of possible development policy financing to support the green growth agenda while also serving as a re-engagement on macroeconomic management, and it identified an analytical work program to develop conditions for the proposed green growth development policy financing series. Trust funds (TF) also play a major role as a supporting instrument for both ASA and financing. The CPF’s inclusion of IFC activities was adequate but could have been more detailed, focusing on support to finance, infrastructure, and natural resources, and the development impact of its projects. Given IFC’s on-the-ground experience with the private sector, the CPF might also have drawn more on IFC expertise in framing its support to the investment climate and ease of doing business.

21. The PLR confirmed the priorities of the CPF and improved the CPF Results Framework, although some weaknesses remained. The PLR confirmed the continuing relevance of the three focus areas and made no major changes in the planned interventions. Under Focus Area 1, the PLR advocated increased attention to macroeconomic issues and identified a new operation to support the financial sector. Under Focus Area 2, the PLR documented the MNCA, which had evolved during CPF

⁴⁸ PRSO 10 did not materialize due to a weakened PFM framework which also resulted in failure to agree on an IPF supporting PFM.

implementation. It also dropped Objective 2.4, Reducing Vulnerability and Inclusive Access to Social Services, as the anticipated systems were not yet in place. The WB-supported Poverty Reduction Fund was melded into Objective 1.3, “Enhancing inclusion through rural infrastructure”. Under Focus Area 3 the PLR deepened support to the green growth agenda through additional funding to existing interventions, a new Landscapes and Livelihoods Project (P170559), and continuing programmatic ASA. The PLR fleshed out the cross-cutting theme of strengthening institutions with interventions covering PFM, and ICT support to civil registration, land registration and urban resilience. The PLR made extensive revisions to results framework indicators, dropping eight indicators, adding four and revising twenty more to various degrees. Four of the dropped indicators lacked direct attribution to Bank instruments (such as the public sector wage bill, the level of public debt or the rate of maternal mortality). The PLR replaced these with metrics directly related to Bank operations. However, in some cases the new indicators were narrowly defined and their ability to measure progress toward the relevant objective was limited. This particularly applied to objective 1.1 (putting public finances on a sustainable path).⁴⁹ The PLR revisions dropped another three indicators due to data unavailability following project delays.⁵⁰ Most revisions to confirmed indicators involved relatively minor changes in wording, or clarifications to target dates or data. Despite this extensive reworking, some issues remained. The wording of several objectives could have better reflected the limited role that Bank interventions could play. Some indicators set goals for target areas based on national data and overly ambitious time frames, given that interventions began late in the CPF period (objective 2.1). Some targets were retained even though the required data was unlikely to be available due to infrequent scheduling of national surveys, changes in the definitions of survey data, and delays in data collection.⁵¹ The results framework revisions might have drawn more extensively on IFC activities as indicators, with IFC contributions to the CPF well documented at the time of the PLR. The revised results framework thus gave a somewhat less accurate guide to progress towards CPF objectives than it might have.

22. The CPF clearly identified the potential risks to the achievement of development outcomes and indicated how the WBG program addressed all risks rated high or substantial. The CPF rated the overall risk to achieving development objectives as substantial. Governance weaknesses, macroeconomic vulnerabilities, and limitations in managing environmental risks underpinned the overall rating. These risk factors affected Laos’ development prospects already during the previous CPF period and are likely to continue. The cross-cutting theme of strengthening institutions across the WBG program built on experience under the previous CPF in addressing governance risks. The CPF foresaw a broad range of WBG activities to manage environmental risks, building on government commitment to the green growth agenda. These included ASA and TA to support implementation of the WB’s new ESF, comprehensive policy actions supporting environmental and natural resource sustainability in the planned Green Growth DPO series, and other activities under CPF Focus Area 3. Experience from the

⁴⁹ The wording of Objective 1.1 implied that CPF activities would be sufficient to put public finances on a sustainable path, rather than contribute to that objective. Following the change in indicators, the PLR could have adjusted the wording of this objective to reflect a more realistic assessment of the impact of WB activities.

⁵⁰ The PLR should also have included Indicator 5 in these revisions given delays in the Agricultural Competitiveness Project.

⁵¹ For example, indicators 4,5 and 17. These and other issues affecting the strength of the results matrix are noted under comments in the results framework, Annex 1.

Nam Theun 2 Social and Environment Project, which closed during the CPF period, provided valuable lessons for improving management of environmental and social risks, including the need for flexible, adaptive management, multi-party coordination mechanisms, and realistic results indicators.⁵² These lessons contributed to design of the MNCA. Measures to address macroeconomic risks were less robust. Experience under the previous CPF, when the dialogue around macroeconomic and debt management broke down and budget support under the last PRSO was cancelled, clearly highlighted the challenges to maintaining macroeconomic dialogue in the Lao political economy. The CPF built on this experience and included macroeconomic measures under the proposed Green Growth DPOs. It affirmed that the DPOs would be evaluated on a case-by-case basis and could be delayed in the absence of an adequate macroeconomic framework.

Implementation

23. Implementation of the CPF responded flexibly to significant challenges in country priorities over the CPF period, foremost among them the COVID-19 pandemic, but also including a deteriorating macroeconomic situation, the 2018 floods, and the Xe Pian–Xe Nam Noy saddle dam failure. Along with its neighbors, Laos responded quickly and strongly in the initial stages of the pandemic, with border closures and lockdowns. The WBG also responded quickly with an \$18 million COVID-19 Emergency Response Project approved by the Executive Directors in April 2020. This project provides emergency support to the health system through equipment and institutional strengthening. Due to Laos' early and strong measures, there were very few COVID-19 cases during the first year of the pandemic; but as variants spread, the vulnerability of a largely unvaccinated population became apparent. The Bank responded with reallocation of funds and additional financing (\$10 million) to increase the availability and deployment of vaccines. In contrast to the relatively limited direct health impact of COVID-19, the broader impact on the economy and public services has been severe. The economy grew by just 0.5 percent in 2020 in contrast to an average rate of 6 percent during the three preceding years. Remittances, a key source of income, dried up as an estimated 200,000 Lao citizens working abroad returned home. Tourist receipts evaporated and business activity stagnated. Jobs and livelihoods suffered as agriculture absorbed the jobless. The government relied primarily on monetary stimulus to cushion the impact given its very limited fiscal space. The Bank supported the government's response to the pandemic with a \$40 million credit line to micro, small and medium enterprises⁵³ and additional financing (\$6.5 million) to the existing Trade and Competitiveness operation. COVID-19 is likely to have a significant effect on poverty. Preliminary estimates suggest an increase of 3-4 percentage points during FY20-22. This highlights the weakness of social safety net mechanisms, as noted in the Poverty Assessment.⁵⁴ Through the Social Protection and Jobs Programmatic ASA (P172089), the WB has supported the government in refining the targeting system and ensuring that in the implementation of the social registry, the on-demand function applies. When the status of

⁵² These are detailed at length in IEG's Project Performance Assessment Report on the Nam Theun 2 Hydroelectric and Social and Environmental Project, 2020.

⁵³ The MSME Access to Finance Emergency Support and Recovery Project approved in FY21.

⁵⁴ The CPF had originally contained an objective aimed to reduce vulnerability and increase targeted access to social services. This objective was dropped in the PLR as the requisite systems were not in place.

vulnerability changes, affected people from COVID will be reported as potential beneficiaries of poverty-targeted programs in the social registry.

24. Macroeconomic risks increased during the CPF period as emphasized in the PLR. The primary concern focused on management of public debt. The 2019 Joint WB-IMF Debt Sustainability Analysis reaffirmed a high risk of debt distress but noted mitigating factors which had the potential to keep the debt outlook sustainable. This coincided with the approval of the second Green Growth DPO (P166839). Over subsequent months, there were further indications of deterioration in macroeconomic conditions. While these symptoms of rising debt-related risks worsened, the status of the government’s negotiations with bilateral creditors remained unclear, making it difficult to evaluate debt sustainability prospects. Together, these factors led to the judgment that the macroeconomic framework was not adequate for providing WB budget support, and hence the planned CAT-DDO and 3rd Green Growth DPO did not proceed⁵⁵. As required for all IDA-eligible countries, the WB subsequently agreed with the government on a set of PPAs under the WB Sustainable Development Finance Policy. These involved the publication of a comprehensive public debt report and adherence to an agreed non-concessional borrowing limit. The government achieved these actions in 2021 and has been able to secure reductions in debt service payments due to Chinese lenders in 2020 and 2021. Nevertheless, at the end of the CPF period, the macroeconomic situation remained critical, with no clear resolution in sight. The cancellation of the CAT-DDO and the 3rd GGDPD entailed significant setbacks in WB support to the objectives in Focus Area 3 of the CPF, in addition to the obvious setback in the macroeconomic dialogue.

25. Following the 2018 floods and the Xe Pian–Xe Nam Noy saddle dam failure⁵⁶, the government requested urgent assistance in assessing the damage and providing technical support to the National Emergency Dam Safety Inspection. The WB’s role in mobilizing global expertise and convening a consortium of development partners to assist with financing was critical to the success of this exercise, facilitated by its strong local presence in Vientiane. In conjunction with the EU and UNDP, and at the government’s request, the WB conducted a post-disaster needs assessment (using the ‘build back better’ approach) covering all areas affected during the severe July-September 2018 floods, which caused damage worth an estimated at \$375 million. The WB’s ability to respond quickly and flexibly to both human and natural disasters underscored the CPF higher-level objectives in human development and managing natural resources in an increasingly fragile environment.

26. The WBG Lao PDR team provided high quality implementation support, especially considering the risks to the program emanating from the COVID-19 pandemic, natural disasters and inadequate macroeconomic policies. Implementation support (IS) benefited from a strong local

⁵⁵ The PLR completed in Q3 of FY20 included both the CAT-DDO and the 3rd GGDPD in the WB program, although it notes there could be “delays” due to the macroeconomic situation. Internal memos and interviews suggest the decision not to proceed was reached in early 2020, although the 3rd GGDPD was not scheduled until Q3 FY21.

⁵⁶ Heavy rainfall in 2018 resulted in high river and dam levels, and the collapse of a saddle dam at Xe Pian-Xe Namnoy hydropower project. The Prime Minister immediately instructed implementation of the National Emergency Dam Safety Inspection.

presence, allowing frequent contact with counterparts and ‘hands-on’ capacity building, which all task teams cited as critical to implementation success. Teams conducted implementation support reviews regularly, while Implementation Status and Results reports (ISRs) received close attention from country and sector management. The Country Management Unit was especially pro-active in ensuring that task teams addressed implementation shortcomings promptly and with specific indications of measures to improve performance. This encouraged a broad culture of implementation support. The team also incorporated lessons from closed projects, as documented in Implementation Completion Reports (ICRs). A prime example is the Nam Theun 2 Social and Environmental Project, which closed in 2017. From this flagship operation the Independent Evaluation Group drew lessons which proved valuable as the country team addressed the challenges of reducing malnutrition. These included the importance of joint stakeholder working groups, avoiding multiple implementation agencies under a single project, and pursuing adaptive management. Bank teams also drew on ASA to inform implementation. Impact evaluations in education and nutrition provided rigorous feedback on what works and what does not. Strategic assessments such as the Public Expenditure and Financial Accountability Assessment guided the on-going engagement in PFM. IFC’s analytic program pragmatically supported both WB and IFC engagements, with joint work in forestry and in sustainable hydropower being notable examples. COVID-19 restrictions severely impacted implementation support, which shifted to predominantly virtual reviews. Development activities involving meetings and demonstrations to promote behavior change (health, nutrition, agriculture, livelihoods) were especially affected. The impact of COVID-19 on Bank staff deployment also contributed to turnover and difficulties in mobilizing team members on the ground. COVID-19 restrictions seriously affected the private sector as well, which in turn affected IFC activities. However, there were also innovative adaptations. For example, reviews of road construction and maintenance activities used a street-level imaging platform to provide real time progress updates.

27. A notable development during the CPF period was the government’s adoption of the Multi-Sector Nutrition Convergence Approach to reduce the national stunting rate to 25 percent by 2025. The Bank supports the MNCA through five operations covering poverty, water, livelihoods, education, and health, focused on communities with high malnutrition rates. The convergence projects will maximize the geographic overlap of project beneficiaries for as long as possible. They aim to jointly identify relevant nutrition-specific and nutrition-sensitive messages, and to supplement each other’s messaging. The convergence projects develop common delivery platforms and share coordinators, and village facilitators, and a common M&E framework. The coordination efforts required to implement MNCA go well beyond normal IS⁵⁷ and represent a step up in government and WB commitment to pursue one of Laos’ persistent development objectives.

28. Knowledge and advisory services supported all CPF objectives and helped guide the overall strategy. Diagnostic reports, including the Poverty Profile and Assessment and a Country Economic Memorandum (CEM), were completed late in the CPF period, ensuring their relevance for the SCD Update and the new CPF. The Poverty Profile was prepared with the Lao Statistics Bureau, thereby building capacity and ownership, thus confirming the value of joint WB-government ASA to support

⁵⁷ The coordination structure of MNCA is described in para 15.

the CPF's cross-cutting theme. The Poverty Assessment fed into the CEM, which integrates poverty and distributional issues with analysis of the strengths and weaknesses of Laos' development experience and prospects. The CEM is oriented around policy options with clearly articulated messages. ASA helps maintain engagement in PFM and the financial sector, contributing in both cases to financing support beyond the expectations of the CPF. In both cases TF financing was essential to ensure the depth of analytic work that could respond to both analytic and capacity building requirements. In general, TF support to ASA enhances flexibility, facilitating just-in-time responses to client requests, and promotes continuity through programmatic approaches. Sector ASA addressed knowledge gaps during the CPF period.⁵⁸ Reports on transport connectivity linked to the nearly completed Laos-China railway set an agenda for leveraging Laos' strategic location, a key theme of the CEM.⁵⁹ Analyses of the power sector and the role of EDL, to which IFC made major contributions, helped underscore the link between power sector management, indebtedness, and macroeconomic management. Joint WB-IFC work on forestry defined business plans for environmentally sustainable plantations and supported the development of the WB's landscapes project. A report on Laos' lagging digital economy highlighted the costs of fragmented leadership. WB ASA paid particular attention to reforming legal frameworks and putting regulations and guidelines in place, while IFC contributed support to a framework for corporate governance. Policy notes for the new government in 2021 drew on the stock of ASA to lay the groundwork for continuing collaboration. Impact evaluations undertaken with Lao counterparts helped guide the Bank's strategy in education, and will contribute to refinement of the MNCA, laying the ground for more effective future engagement. Overall, ASA during the CPF period addressed most of the "urgent" knowledge gaps identified in the 2017 SCD — PFM, finance, labor market trends, agricultural supply chains, the value of natural products and biodiversity, integrated water management and hydropower, electricity generation and demand, dam safety, the green growth strategy, and ICT. Formal or informal ASA, including diagnostic work (CEM and PA) and IFC advisory services, addressed all these gaps with only agricultural supply chains receiving limited attention.

29. Data issues remain challenging. Overall, the quality and availability of data remained low. Debt, public expenditure, and financial data were often restricted and not easily reconciled across diverse sources. Administrative data were often not available and generally not integrated across agencies. Household survey data benefited from development partner (DP) support; but access remained an issue. A Bank project to strengthen the national statistical system, which closed early in the CPF period, was rated as moderately unsatisfactory by the Independent Evaluation Group⁶⁰. A new project, focused on vital statistics and civil registration, began at the end of the CPF period, building on relevant global and Lao PDR lessons in applying international standards, generating demand for data,

⁵⁸ The PLR summarized ASA contributions to achieving CPF objectives but did not consider emerging knowledge gaps.

⁵⁹ Laos-China Railway Corridor Development (P168595). The impact of market access on increasing farm incomes and reducing poverty is documented in the Poverty Assessment (P153279) as a factor in the turnaround from lagging to leading in northern Laos.

⁶⁰ As per the IEG Implementation Completion Report review of the Lao PDR Statistics for Results Project (P129825), the efficacy of the project development objectives was rated modest. While the quantity of statistics increased, there was little evidence available concerning timeliness, reliability, or compliance with international standards. Dissemination was weak and there was no apparent improvement in user satisfaction.

and undertaking rigorous impact evaluation of pilot effectiveness. Joint ASA, partnering with government agencies, as in the Poverty Profile and Poverty Assessment, also proved effective in improving data quality and access.

30. Collaboration across the WBG effectively supported implementation of the CPF. Through its Advisory Services (AS) and strong local networking, IFC has established itself as a respected knowledge and investment partner in Laos. It leveraged these strengths in collaboration with the WB to support CPF objectives.⁶¹ IFC investment in commercial banks and AS on payment systems, secured transactions, and the credit bureau, contributed to increased financial sector stability while addressing private sector constraints (Objectives 1.1 and 1.2). ASA on investment climate reform, initiated in the second half of the CPF period, should continue to inform IFC and WB engagement into the next CPF period, while MIGA guarantees continued to support a hydropower plant (Objectives 1.2 and 1.3). Investments in power (transmission and EDL), upstream pre-investment support to logistics, and long-term advisory work with hydropower developers directly supported the contribution of infrastructure to inclusive growth (Objective 1.3). IFC and WB offices in Hanoi and Vientiane coordinated closely on the technical feasibility study commissioned by IFC upstream on the China-Laos-Vietnam energy corridor interconnection project. The completed study led to joint dialogue with respective utilities and governments on next steps. In addition, the WB and IFC jointly supported the Ministry of Energy and Mines in updating the National Policy on Hydropower Sustainable Development. IFC funded the update of the policy, including public consultations while the HMTA project (P109736) funded implementation. IFC's long-term advisory work in forestry, a multi-company engagement, assisted plantation and wood product companies with sustainable business plans and in building partnerships with local communities (Objective 3.1). IFC and WB also jointly delivered the sustainable forest management ASA (Sustainability in Lao PDR Forest, P164376), which has led to renewed participation by private investors in response to policy and institutional reforms informed by the ASA dialogue. WB-IFC collaboration under the Forest Investment Program, which co-financed both the Scaling-up Participatory Sustainable Forest Management Project (P130222) and the Smallholder Agroforestry Program, resulted in the approval of the Lao Landscapes and Livelihoods Project (P170559) in 2021. The hydropower AS strengthened the environmental and social framework to help developers manage risks more effectively (Objective 3.1). IFC also made important contributions to the CPF's cross-cutting theme of institutional development through its support to capacity building in the corporate sector and to a national framework for corporate governance. IFC undertook a broad corporate review of EDL. All these contributions to the CPF were facilitated by a strong working relationship between the WB and IFC with mutual links between operations. In a few instances, the hesitation of the government to follow approaches in line with IFC recommendations derailed potential partnerships (PPP in the road sector, credit bureau AS, a risk-sharing facility for MSME lending); but these were managed without disrupting a strongly collaborative approach. During the latter part of the CPF period, IFC initiated the new "upstream" approach to developing business. This involves engaging at an earlier stage of a

⁶¹ The extent of IFC contributions is not fully covered in the results framework, partly because some activities arose opportunistically and therefore do not mesh with the results framework. The results framework did document other activities which contributed to the CPF Objectives but not to the specific indicators.

project's life cycle to help pave the way for investment at a later stage. IFC expects this approach to lay a foundation for mainstream IFC investment in the next CPF cycle. MIGA, in collaboration with the WB and IFC, explored opportunities to de-risk foreign private investment by leveraging business activities from its regional hub.

31 Coordination with DPs contributed significantly to progress toward the development objectives of the CPF, but also entailed challenges. The WB, IFC and MIGA maintained strong relationships with DPs through bilateral contacts and sector working groups. WBG leadership in the environment and energy sectors is widely valued and together with JICA and ADB, the WB co-chairs the infrastructure working group which has effectively coordinated parallel financing of road investments. Bank safeguards and fiduciary due diligence in transport projects enabled the government to leverage concessional financing for critical infrastructure from other development partners including the European Investment Bank, Asian Infrastructure Investment Bank, and Nordic Development Fund. Coordination with a broad group of DPs in health, including the Global Fund, has supported COVID-19 preparedness and increasingly integrated health financing, breaking down disease-focused silos. DP-supported TFs have played a major role in facilitating PFM, trade and competitiveness, and financial sector engagement, enabling the Bank to respond flexibly and promptly to client needs. In education, there were coordination challenges in defining potentially overlapping DP roles under the Global Partnership for Education early in the CPF period. Consequently, the WB shifted its focus from early primary to pre-primary, allowing the government to benefit from a harmonized set of interventions. The change also allowed the Bank to pilot the Reading Readiness Program intervention in early reading. The next round of Global Partnership for Education support benefits from more clearly defined roles from the outset. Other coordination challenges related to divergent views on the adequacy of the macroeconomic framework, policy conditions for budget support, and TA priorities on debt issues. The WB coordinated closely with the IMF through joint preparation of the debt sustainability analysis as part of the IMF Article IV consultations in 2017, 2019 and 2021. The government did not play a prominent role in leading DP coordination on macroeconomic issues, preferring to rely on bilateral relationships, particularly with close neighbors. The Bank strengthened its outreach and dialogue with non-traditional partners, for example in the dam safety review; and expanded dialogue in areas such as debt management and energy. This could yield dividends during the next CPF. IFC advisory engagements were supported by the governments of Australia, Japan, UK and Korea as well as the Facility for Investment Climate Advisory Services.

32. Alignment with country systems and attention to safeguards and fiduciary risks. The CPF described the fiduciary and safeguard challenges stemming from weak institutions and capacity and outlined steps to improve performance while noting that management of these risks in the portfolio had been adequate. The legal and administrative framework for fiduciary and safeguard activities improved during the CPF period. The 2018 Procurement Law, the Bank's assistance in aligning standard bidding documents, the introduction of the STEP process,⁶² and the upgrading of the Public Procurement Unit to a full division all increased the effectiveness of implementing agencies. While

⁶² STEP, Systematic Tracking of Exchanges in Procurement, ensures transparency and confidence in the procurement system.

procurement-related implementation delays have declined, a risk averse decision culture, limited training resources, and uneven commitment remain challenges. Financial management closely tracks progress with the overall PFM system, which also benefited from legal and administrative improvements during the CPF period. In particular, the introduction of the Financial Management Information System helps ‘leapfrog’ skills gaps with automated financial reporting.⁶³ While overall progress in using country systems has been slow, the Ministry of Health pioneered the use of disbursement linked indicators, validating its financial reporting, and initiating a medium-term budget framework which allowed the Bank to support the ministry’s overall expenditure program under the HGNDP. However, this limited experience did not carry over to other sectors. Overall, the Bank’s management of fiduciary risks during the CPF period remained satisfactory.

33. The CPF and PLR rated the risks associated with environment and social safeguards as substantial. During the previous decade, the main vehicle for engaging on safeguard management was the Nam Theun 2 Social and Environment Project. After this project closed early in the CPF period, new mechanisms were needed to deal with a diversified multi-sectoral portfolio. Risk management measures undertaken during the CPF period included: (i) establishment of a Safeguards Learning Center, with adjustments to the legal framework to align better with global practice and WB guidelines; (ii) extensive hands-on training and implementation support at project level, including monthly meetings with PIUs on implementation of ES management plans; (iii) robust integration of safeguards in the terms of reference for supervising engineers and bidding packages for civil works contractors; and (iv) systematic reporting and thorough investigation of safeguards incidents, facilitated by local and regional specialists able to communicate in Lao.⁶⁴ The introduction of the WB’s Environment and Social Framework introduced further demands on limited local capacity, especially as social risk management systems remain less well developed. Overall, these measures helped Laos avoid adverse impacts despite limited progress toward a broader development risk framework.

34. Portfolio performance during the CPF period. As of June 30, 2021, the active portfolio for Laos, including small RETFs, consisted of 26 IPF operations amounting to \$729.1 million in net commitments (comprising 20 IDA operations at \$662.9 million, four Large RETFs at \$62 million, and two Small RETF at \$4.2 million). During the CPF period, the IDA portfolio expanded from 14 projects totaling \$373.6 million to 20 projects totaling \$662.9 million. Of 26 IDA-financed projects approved during the CPF period, six were Additional Financing (AF) operations. The average IDA project size of \$33 million in FY21 was larger than the \$26.7 million at the time of the CPF in FY17, suggesting that the use of AF contributed to consolidating the portfolio in line with the CPF (see Table 3 for details). Laos also benefited from co-financing TFs (\$78.1 million). As of end June 2021, the total disbursement of the IDA portfolio was \$236.5 million (35.7 percent disbursement rate). The disbursement ratio was consistently above the 20 percent corporate target over the last five years but slowed in FY21 due to COVID-19. All IDA lending exiting in FY18-20 received satisfactory outcome ratings from the Independent Evaluation

⁶³ FMIS, Financial Management Information System, helps alleviate the shortage of accounting skills in Laos.

⁶⁴ In the roads sector, safeguards inputs have been integrated into all project cycles starting from preparation (FS, conceptual design, etc.), implementation including road O&M. TORs for works supervision engineer and civil works bidding include robust safeguards tasks.

Group. There remained one problem project in the portfolio, the Scaling-Up Water Supply, Sanitation and Hygiene Project, which was at an early stage of implementation with corrective measures initiated. The number of problem projects remained low because of strengthened attention to implementation support plus targeted training and hands-on results monitoring support to project teams. These contributions helped improve WB teams' attention to the results framework and M&E arrangements during project design and preparation, assisted project counterparts with timely project restructurings and strengthened results frameworks, and led to stronger storylines on project outcomes for project completion reports. IFC delivered a strong program during the CPF period, committing \$11 million in long-term financing. During the CPF period, IFC's advisory program consisted of six completed projects, one dropped project, and two ongoing projects extended beyond this CPF period. Toward the end of this CPF period, IFC initiated the first three upstream projects: one is in transition to the mainstream pipeline for investment, and two are likely to generate investment leads for the next CPF period. On the investment portfolio side, despite the challenging macro environment, IFC investment clients complied with repayment schedules, with about \$20 million of principal repayment made during the CPF period.

Table 3. New IDA approvals and Active IDA and RETF portfolio during the CPF period

Fiscal year	2017	2018	2019	2020	2021
New IDA Approvals					
Number of IDA Projects approved	2	5	5	8	4
<i>DPL</i>	1		1		
<i>IPF</i>	1	3	4	4	3
<i>AF</i>		2		4	1
Net Commitment Amount (\$m)	63.6	130	122	178.5	114
<i>DPL</i>	38.6		40		
<i>IPF</i>	25	95	82	101	104
<i>AF</i>		35		77.5	10
Active IDA Portfolio					
Number of IDA Projects	14	14	18	22	20
Net Commitment Amount (\$m)	373.6	396.2	514.2	692.7	662.9
Ave. Project Size (\$m)	26.7	28.3	28.6	31.5	33.1
Ave. Project Age	4.0	3.5	3.2	3.5	3.3
Total Disbursement (\$m)	210.0	166.6	249.8	312.3	236.5
Disbursement in FY (\$m)	79.8	64.5	86.9	62.5	52.4
Disbursement Ratio (percent)	18.4	41.9	21.6	24.9	16.0
Active Stand-Alone RETF Portfolio					
Number of RETF Projects	2	1	3	3	6

Fiscal year	2017	2018	2019	2020	2021
Net Commitment Amount (\$m)	24.8	16.8	19.8	19.8	66.2

Source: Analysis for Office

IV. ALIGNMENT WITH WORLD BANK CORPORATE GOALS

35. The CPF supported WB corporate goals both in design and implementation. The three CPF focus areas each contributed to poverty reduction and inclusion in line with the priorities identified in the SCD. Under Focus Area 1, activities supporting infrastructure connectivity and private sector job creation were in line with SCD recommendations for a more pro-poor and inclusive growth path. Improving agricultural productivity, identified as an SCD pathway, received less attention. Interventions under Focus Area 2 emphasized nutrition, education, and health. Innovations such as MNCA and impact evaluations in education helped improve the focus on results through learning and adaptation. Focus Area 3 helped initiate a shift in natural resource management toward greater sustainability and inclusivity in forest and water management, and in strengthening disaster prevention and resilience. Key pieces of ASA, in particular the Poverty Assessment and CEM, helped evaluate progress and identify a strong agenda for poverty reduction and inclusion in the new CPF.

36. The CPF and the Country Gender Action Plan (CGAP) (FY17-21) were well aligned. CGAP identified priorities including early marriage, adolescent pregnancy, high maternal mortality rate (CPF Focus area 2), low literacy among women and the skills gap (Focus Areas 1 and 2), equal opportunities for men and women to participate in livelihood activities and wage jobs (Focus Area 1 and cross cutting theme), and the participation of women in planning and decision making (Focus Areas 1, 2 and 3 and the cross-cutting theme). IPFs accounting for about half the active portfolio supported equal livelihood and job opportunities, while a third included measures to raise women’s voices (10 projects). These aimed to ensure equal participation and membership in project-supported groups (agricultural producer groups, self-help groups for rural livelihoods) or project-related committees. Gender tagging applies a rigorous standard for monitoring and rating gender analysis, actions to address gaps, and gender impacts. During the CPF period 15 IPF projects were gender tagged. Overall, CPF gender support was substantial and contributed to narrowing gender gaps and addressing gender priorities. However, given persisting gender inequalities, achieving impact on the ground will require sustained attention. At the end of the CPF period, a new CGAP (FY22-26) aligned its focal areas with the main outcomes in the 9th NSEDP.

37. Climate change and resource sustainability received prominent attention in the CPF. Focus Area 3 combined a broad range of interventions to support Laos’ commitment and efforts to shift to a “green growth” strategy both through the 8th NSEDP and its Nationally Determined Contributions (detailed in para’s 12-13). Climate co-benefits applied to 38 percent of new commitments during the CPF period, well above the WBG’s target of 28 percent for FY20 and exceeding the new target of 35

percent for FY21-25. Adaptive co-benefits accounted for 72 percent of the total, with mitigation co-benefits accounting for the remaining 28 percent.

V. LESSONS

38. Bank targets should match implementation capacity and assume longer timeframes, as experienced in the Lao program, while projects should continue to strengthen capacity. The CPF's overall 'moderately unsatisfactory' outcome rating is largely related to slower than anticipated program implementation. As the Results Matrix (Annex 1) shows, achievement of objectives fell short most often because of slow project start-up and delays in implementation, as opposed to divergences or reversals in policy. The portfolio snapshot of June 2021 shows that all projects except one were rated Satisfactory or Moderately Satisfactory, indicating consistency with development objectives and reflecting more realistic timeframes after extensions to project closing dates. This suggests that (i) achieving results in Laos has generally taken longer than expected; (ii) program targets should be calibrated to realistic timeframes; (iii) ratings during implementation should be more candid in anticipating potential delays; (iv) capacity-building should be intensified; and (v) improvement efforts should focus on strengthening implementation capacity within the existing strategic priorities.

39. Moreover, in the case of multi-sectoral interventions, project success needs a commitment to long-term engagement with continuing investment in systems-building to navigate the complexities of collaboration across government agencies and levels. Implementation challenges have increased with more multi-sectoral activities and implementation by sub-national entities, as in the sustainable landscapes and nutrition agendas. The program therefore needs to be selective in tackling complex challenges while not shying away from those – like nutrition and landscape management - which are critical to Laos' future. The Laos program offers several examples of institutional and policy reforms facilitated over a period of step by step, iterative processes. Technical support to hydropower and mining⁶⁵ over a ten-year period contributed significantly to sector reforms through adaptive engagement as conditions evolved. In the health sector, long-term engagement to strengthen health financing, including through result-based indicators, resulted in Laos being among the first countries to receive non-earmarked funds from major global vertical health funds⁶⁶. The WB's long-term engagement in roads led to important progress in the internalization of environmental and social safeguard procedures, and strong safeguard performance in the sector.

40. Progress on consolidating the portfolio as advocated in the PLR has begun but will take time. The portfolio still contains many small projects, entailing close WB supervision and support, as well as demands upon the government's limited implementation capacity. The latter period of the CPF registered a significant shift to Additional Financing, which contributed to the portfolio consolidation efforts. Nonetheless, an average of five project approvals per year left a FY22 Q1 portfolio of 26 projects, large for a country of Laos' size. Portfolio consolidation therefore needs to intensify.

⁶⁵ Technical Assistance for Capacity Development in Hydropower and Mining Sector (HMTA) (P109736).

⁶⁶ Health and Nutrition Services Access Project (P166165).

41. Building understanding and trust for an engagement in politically sensitive areas takes time.

The WB's global and regional expertise can help strengthen the dialogue on technical and management issues. However, the extent of WB engagement in sensitive areas, such as debt management, public finance, bank and SOE restructuring, and power sector reform, will need to be determined by a complex political economy that is not always apparent and requires dedicated analysis. The WB's strategy should acknowledge such constraints while also working to deepen its understanding of the political context. Engagement with diverse stakeholders, such as the National Assembly, can contribute to advancing policy dialogue and implementation, as the adoption of the country's first Green Growth Strategy and the integration of green growth indicators in the 8th NSEDP illustrates. Engagement with development partners can also play an important role in building consensus around reforms.

42. The constraints imposed by COVID-19 highlighted key operational lessons. These include: (i) the role of locally based staff; (ii) the importance of cultural readiness among counterparts to work remotely and follow through without in-person contact; and (iii) the need for adequate IT and translation resources for implementation counterparts, particularly at local level. Virtual meetings and 'missions' with a clear agenda/objective worked well, especially when linked to prompt follow-up discussions. Notable examples include AF-COVID-19 project preparation, with virtual negotiations during lockdown, and the signing of Subsidiary Financing Agreements between the government and commercial banks under the MSME project. Implementation support missions including virtual reviews also worked well. Less successful were remote "hands-on" support and on-line training involving unfamiliar material. Clarification of the WB's new ESF requirements proved difficult, for example. As virtual interaction continues, it will be important to facilitate the government's embrace of virtual meetings, make appropriate investments in supporting infrastructure, and for WBG teams to be more rigorous in defining agenda and objectives for meetings and events.

43. Pervasive data constraints (availability, access, quality) severely affect the government's capacity in general, as well as the design and implementation of the WB program. Strengthened systems for monitoring and evaluation, in particular targeted impact evaluations, should play an increasing role in shaping WB interventions and policy dialogue, building on examples undertaken during this CPF. Support to the creation and management of statistical data could also figure more prominently in the WB's program.

44. The challenge of linking strategic objectives with WB interventions requires careful formulation of CPF objectives, indicators, and targets, followed by adaptive learning through the PLR process. The PLR dropped several indicators for broad, long-term CPF objectives because attribution of the indicators to WB interventions was limited. These were replaced with indicators closely linked to Bank activities but with limited impact on the objective, either because of their narrow scope or their single CPF time-horizon. In the case of Objective 1, the ambition of the objective exceeded the influence of WBG instruments, with the result that WBG interventions were only able to mitigate negative trends rather than deliver positive outcomes. To ensure that the results chain from CPF interventions to strategic objectives remains robust, the formulation of CPF objectives, indicators, and targets, (including revisions at the PLR stage) should be considered as a whole, recognizing that

revisions in one link of the result chain may call for revisions in other links to maintain a consistent CPF intervention logic. Factoring in realistic time frames to achieve results and formulate objectives, indicators, and targets is especially relevant to the PLR process, when each link in the results chain must be appropriately adjusted to reflect initial implementation experience and realistic prospects for the remaining period.

45. In line with the findings of the previous CLR, WBG knowledge services continued to be a critical element in supporting CPF objectives. All objectives of the CPF benefited from either WB ASA or IFC AS, and in several instances — notably PFM, finance, the environment, and knowledge services — were critical in framing successful engagement beyond that anticipated in the CPF. Knowledge services also served to strengthen institutions and build counterpart capacity. The joint work on impact evaluations represented significant and ongoing knowledge transfer toward improved policy formulation and implementation. IFC's AS contributed to an enhanced private sector role in areas such as sustainable forestry. These outcomes suggest that knowledge services should continue to build confidence and trust toward more effective collaboration.

46. Effective WBG coordination requires both alignment of objectives and continuous communication. The joint orientation of the WBG around the objectives of the 8th NSEDP laid the basis for collaboration across multiple areas of intervention. WB, IFC and MIGA objectives aligned not only in the usual domains of finance and private sector (domestic and foreign) development, but also in environmental and natural resource management, and in the cross-cutting theme of institutional strengthening. This broad alignment offers many opportunities for future collaboration. Given the different IFC and WB operating modalities, realizing these opportunities will require continuous and substantive communication, facilitated through the joint office and strong staff relationships on the ground. It will also require flexibility when circumstances change, recognizing that different operating modalities can lead to different responses, highlighting the need for upfront communication and coordination.

CLR Annex 1: Results Matrix for Lao PDR CPF (FY17-21) – summary of program evaluation

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
Focus Area 1: Supporting inclusive growth			
Objective 1.1: Putting public finances on a sustainable path and supporting financial sector stability			
<p>1. Number of risk-based tax audits carried out.</p> <ul style="list-style-type: none"> • Baseline: 0 (2016) • Target: 10 (2021) <p><i>1.a Recording of domestic and external debt.</i></p> <ul style="list-style-type: none"> • <i>Baseline: Domestic debt not recorded (2016)</i> • <i>Target: Domestic and External debt (including on-lending and guarantees) recorded in the upgraded Debt Management and Financial Analysis System (DMFAS) (2021)</i> 	<p>Indicator 1: Partially achieved As of June 30, 2021, 5 audits have been completed and 10 are still ongoing. (Source: Programmatic Public Finance Management Reform (P167660), Sequence 3, November 2021)</p> <p>Indicator 1.a: Mostly achieved Domestic and external government debt are recorded in the upgraded DMFAS, but on-lending and guarantees are currently not yet recorded (in either the old or the upgraded system). MOF is working closely with related SOEs to prepare the data for recording in the upgraded DMFAS and expects the outstanding recording to commence by end of 2021 and be completed in 2022. (Source: E-FITS project (P167534) ISR No.5, October 2021)</p> <p>FY21 Performance and Policy Actions Implementation Assessment: MoF has published the 2020 debt statistics bulletin covering government’s external and domestic debt stocks on May 28, 2021, with the agreed content. (Source: Link to the MoF Website below: https://www.mof.gov.la/wp-content/uploads/2021/05/Public-Debt-Bulletin-2020-English-version_Final.pdf)</p>	<ul style="list-style-type: none"> • There were several challenges along the way, notably the availability and quality of the data and the capacity of government staff. Nevertheless, the risk-based audit approach has been adopted by the Tax Department and institutionalized by MOF in their recent re-organization of tax administration. Persistence is the main lesson learned to date. This is a key success factor, not only in the introduction of the risk-based audit but also in other PFM reform areas. 	<p>Knowledge and Convening <i>Closed:</i></p> <ul style="list-style-type: none"> • Macroeconomic Monitor (P148008) - FY18 • Lao Economic Monitor (P158830/P164978) - FY17-18 • Lao PDR Expenditure Analysis (P158831) - FY18 • Public Expenditure Analysis and Dialogue (P168766) - FY19 • Public Finance Management Modernization (P158658) - FY19 • Financial Sector Development Analytical Program (P160715) - FY19 • Lao PDR

<p>2. Public reporting, and compliance with regulations of the Capital Adequacy Ratio (CAR).</p> <ul style="list-style-type: none"> • Baseline: CAR not reported (2016) • Target: > Regulatory minimum (currently CAR of 8%) <p><i>2.a Bank of Lao PDR laws and related regulations revised toward compliance with international standards (Sustainable Development Goal [SDG] 10.5: Regulation and M&E financial market institutions).</i></p> <ul style="list-style-type: none"> • Baseline: 0 laws/regulations (2016) • Target: 5 laws/regulations (2021) 	<p>Indicator 2: Achieved</p> <p>The Bank of Lao PDR (BoL) has published a set of core aggregate financial soundness indicators (FSIs) on a quarterly basis since Q4 2017 including the CAR. To date the CAR complies with the regulatory minimum. As of Q1:2021, the CAR is 13.26 percent. (Source: http://bol.gov.la/en/Money_and_Banking)</p> <p>Indicator 2.a: Mostly achieved</p> <p>4 laws/regulations revised toward compliance with international standards and good practice:</p> <ul style="list-style-type: none"> • Law on the Bank of the Lao People's Democratic Republic (https://www.bol.gov.la/fileupload/23-09-2019_1569207365.pdf) • Law on commercial banks (https://www.bol.gov.la/fileupload/24-06-2019_1561341677.pdf), • Decision on handling of Dormant Accounts (https://www.bol.gov.la/fileupload/08-01-2020_1578480668.PDF), • Decision on Loan Classification and Provisioning (https://www.bol.gov.la/fileupload/11-03-2019_1552276968.PDF). • BoL Law was amended in July 2018, the Law on Commercial Banks in January 2019. Following the amended Commercial Banking law, the Decision on Handling of Dormant Accounts and Decision on Loan Classification and Provisioning were approved and published on December 30, 2019 and June 29, 2018, respectively. • The WB has also delivered workshops on additional regulations including (i) Foreclosure of assets; (ii) Large 	<ul style="list-style-type: none"> • Financial Soundness Indicators (FSI) should be disaggregated by type of bank to present a complete picture of the health of the banking sector. In particular, the government does not publish financial information for SOBs which account for 44 percent of system assets. In deciding not to publish disaggregated FSIs, the government indicated that two SOBs (18 percent of system assets) are being restructured. • Need to expedite regulation drafting process and focus on implementation to obtain desired objectives. Legal drafting process is slow, and laws/regulations are often incomplete, requiring the drafting and issuance of further implementing 	<p>Programmatic Macroeconomic Monitoring (P168469) - FY20</p> <ul style="list-style-type: none"> • Lao PDR Programmatic Debt Management Engagement (P169759) - FY21 • Lao Financial Sector Development Program (P171539)- FY21 • Lao PDR Payment Systems (FIRST) (P168897) - FY20 • Risk Based AML/CFT Supervision (P169215) - FY21 • Country Economic Memorandum (P172222) - FY21 <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Programmatic Public Finance Management Reform (P167660) - FY23 <p>Financing</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • LaoStat: Strengthening the National Statistical
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	<p>exposures; (iii) Capital adequacy; (iv) Liquidity; (iv) Corporate governance; (vi) Consolidated supervision; and (vii) Merger and acquisition. Source: http://bol.gov.la/en/Money and Banking</p> <ul style="list-style-type: none"> Under the FSSN project (P169194), BOL is currently working on a Decision on Bank Resolution and a Decision on Prompt Corrective Action. <p>(Sources: Lao PDR Financial Sector Safety Net Strengthening Project (P169194) and Lao PDR Financial Sector Development ASA Program (P171539))</p>	<p>guidelines, and extensive capacity building for relevant stakeholders. Further efforts to streamline drafting process could improve the quality of laws/regulations and expedite their implementation.</p>	<p>System Project (P129825)</p> <ul style="list-style-type: none"> Lao PDR Green Growth DPO 1 (P159956) - <i>closed June 2018</i> Lao PDR Green Growth DPO 2 (P168839) - <i>closed December 2020</i> Lao PDR Green Growth DPO 3 (P171431) - <i>FY21 - Dropped</i> <p><i>On-going:</i></p> <ul style="list-style-type: none"> Enhancing Public Finance Management through Information and Communication Technology and Skills (E-FITS) Project (P167534) - <i>closes August 2025</i> Public Finance Management Reform Project (P167661) - <i>closes March 2022</i> Lao PDR Financial Sector Safety Net Strengthening Project (P169194) - <i>closes September</i>
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Objective 1.2: Making it easier to do business			
<p>3. Ranking in Doing Business “Getting Credit” score.</p> <ul style="list-style-type: none"> • Baseline: 55 distance to frontier (Doing Business 2017) • Target: more than 60 distance to frontier (Doing Business 2021) <p>Supplementary Progress Indicator</p> <p>3.a Value of financing facilitated by the Credit Bureau</p> <ul style="list-style-type: none"> • Baseline: \$1.27m equivalent (Kip 10,344m) (2014) • Target: greater than \$1.33m 	<p>Indicator 3: Mostly Achieved</p> <p>Lao PDR scored 60 (distance to frontier) for “Getting Credit” in Doing Business 2020, just missing the target. The BoL has upgraded its credit information system. The revised Decree on Credit Information was issued in July 2019 following by a creation of an independent Credit Information Bureau (CIB) or Lao Credit Information Company (LCIC).</p> <p>The LCIC is working on expanding credit coverage and developing a credit scoring system. The company signed partnership agreements with six public agencies and five utility companies, including electricity, water supply and three telecommunication companies to access information of individuals and legal entities. The LCIC also signed an MOU with a local consulting firm to set up credit scoring system. The credit data integration and establishment of credit scoring system will increase coverage and depth of credit information.</p> <p>https://www.doingbusiness.org/en/data/exploreconomies/lao-pdr#DB_gc</p> <p>Indicator 3.a: Achieved</p> <p>During June 1, 2020 – June 1, 2021 the BoL Credit Bureau facilitated \$24m in financing. (Source: Lao Credit Bureau Phase 2 (IFC- 600450)).</p>		<p>Knowledge and Convening</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • Trade and Competitiveness Analytical Program (P146216) - FY19 • Financial Sector Development Analytical Program (P160715) - FY19 • Lao PDR Business Climate TA (P168814) - FY20 <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Lao PDR Financial Sector Development ASA Program (P171539) - FY22 <p>Financing</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • Customs and Trade Facilitation Project (P101750) - closed June 2017 • Second Trade Development Facility Project

<i>equivalent (Kip 10,843m) (2021)</i>	<p>Indicator 4. Partially Achieved</p> <p>Based on the last two Enterprise Surveys (average of data for 2016 and 2018), the mean number of days to clear imports was 2.6 (2016 ES: 2 days; 2018 ES: 3.2 days).</p> <p>Other relevant and verifiable evidence:</p> <p>Per the trading across border (TAB) indicator from Doing Business data.⁶⁷</p> <p>Actual: 69 hours (2.8 days) in 2020 Baseline: 73 hours in 2016</p> <p>The CPF used the WB Enterprise Survey (WBES) 2012 and 2016 data to set both baselines and targets for indicator 4 and 4.a. The PLR in 2020 maintained these indicators. However, while the WBES is the preferable data source, the next survey is only scheduled for 2023.</p> <p>Therefore, the CLR evaluates indicator 4 using the Doing Business TAB indicator as a proxy. While the two sources of data vary in methodologies, the data for the TAB is available from 2016 to 2020 allowing to evaluate progress made over the CPF period.</p> <p>In addition, the Time Release Study (TRS), a World Customs Organization-based instrument, conducted by Lao Customs Department, shows that average time to clear imports from document submission to cargo release at border checkpoints (excluding time to obtain import permits) was 5 hours and 12 minutes in 2020, dropping by 2 hours and 58 minutes from 8</p>	<p>1. While there is strong political will to improve the business environment especially in the COVID-19 context, a lack of effective coordination and monitoring systems still constrain reform progress.</p> <ul style="list-style-type: none"> Action plans with clear and time-bound tasks as well systematic monitoring and reporting on progress and issues to decision making level would help keep relevant stakeholders accountable and stimulate 	<p>(P130512) - closed September 2018</p> <ul style="list-style-type: none"> SME Access to Finance Project (P131201) - closed December 2020 Lao Credit Bureau Phase 2 (IFC - 600450) - closed April 2018 Lao Secured Transactions Phase 2 (IFC - 6005235) - closed September 2019 Lao Payment Systems (IFC - 579207) - closed December 2018 Banque Franco-Lao (BFL) Risk Sharing Facility (IFC - 32726) - closed March 2018 KS Resort - Sofitel Luang Prabang (IFC - 27914) - closed March 2017 ABL Lao Kip Loan (IFC - 631193) - closed December 2020 Essilao (IFC - 32557)
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⁶⁷ The quantitative assessment for indicator 4 uses historical Doing Business (DB) data for two years, 2016 and 2020 for which no data issues have been reported. The date remains available on the DB website. In addition, the assessment relies on the indicator absolute value for Lao PDR and does not rely on the relative ranking. Together these steps help alleviate concerns around the validity of the data for this quantitative assessment.

<p>4.a Number of days to obtain an operating license (Enterprise Survey)</p> <ul style="list-style-type: none"> • Baseline 16.3 (average of 2012 and 2016) • Target: Less than 13 (2021) 	<p>hours and 10 minutes in 2019. The TRS evidence also supports the reduction in mean time to clear imports in Laos.</p> <p>Indicator 4.a: Partially achieved Based on the last two Enterprise Surveys (ES) (average of data for 2016 and 2018), it took 21.7 days to obtain an operating license (2016 ES: 16.3 days; 2018 ES: 27 days).</p> <p>Other relevant and verifiable evidence:</p> <p>Actual: Qualitative assessment. As for indicator 4 the WB ES data for indicator 4a is not available.</p> <p>Several important steps have been taken by the government to reform operating licenses (OL) since the PLR, warranting the assessment that the indicator is partially achieved. The government has now restricted the requirement for the operating license to high-risk activities only. For non-high-risk activities the time required is zero.</p> <ol style="list-style-type: none"> 1- PM Order No.03 issued in January 2020 tasked line ministries to review and identify all business activities needing an OL after completing business registration. Two task forces were set up: an inter-ministerial task force established in January 2021; a Ministry of Industry and Commerce (MOIC) licensing task force led by the Permanent Secretary's Office in November 2020. 2- A risk-based pilot was launched in early 2019 to regulate all OL administered by the MOIC (MOIC Decision No. 0023 and 0044, 18 January 2019). Only activities identified as high-risk are now required to obtain an OL after the registration certificate. For high-risk activities, a target of 10 working days after receipt of application was set to deliver the OL. However, the 10 	<p>reform progress.</p> <ol style="list-style-type: none"> 2. Resistance to reform from public officials and lack of awareness of changes from the private sector results in implementation gaps following regulatory changes. <ul style="list-style-type: none"> • A broader communication campaign as well as the introduction of mechanisms to receive feedback on reforms would help change perceptions of the public sector towards service delivery, inform the private sector of the changes and increase accountability. • Leveraging the private sector can increase the 	<p>- closed 2020</p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Agriculture Competitiveness Project (P161473) - closes June 2024 • Lao PDR Competitiveness and Trade Project (P164813/P176856) - closes December 2024 • Électricité du Laos (IFC - 28141) - closes September 2021
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	<p>working days timeframe proved challenging as reported in a process mapping report prepared by the JC&A consulting firm end of 2020. Still, MOIC remains strongly committed to its in-depth review and to streamlining the OL process for the manufacturing sector.</p> <p>3- The Inventory of Business Licenses information portal⁶⁸ was launched in January 2021 providing key information on 359 formalities including 149 business operating licenses. This inventory serves as the base to classify business licenses according to risk levels.</p> <p>4- The list of activities and corresponding OL to be streamlined within MOIC and their associated risk level has been discussed among MOIC Licensing Reform Task Force. Next steps are to streamline major licenses under MOIC and adopt 20 priority licenses to be streamlined under other line ministries.</p>	<p>pace of reforms as well as their sustainability. Improving the ability of the Lao Business Forum to build strong technical cases for the issues they raise with the government would help balance the public-private dialogue.</p> <p>3. Capacity issues. The lack of experience of some implementing agencies, and the fact that many activities required high levels of technical skills often from international experts led to significant delays in implementation. COVID 19 and associated mobility restrictions affected the delivery of</p>	
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⁶⁸ <http://bned.moic.gov.la/en> .

		<p>inputs and exacerbated communications issues with remote international consultants.</p> <ul style="list-style-type: none"> • Regular communication, including sharing translated papers, meeting minutes and reports on field visits between officials and consultants is necessary. • Additional support on the technical side to improve the quality control would support effective implementation 	
<p>5. Change in value of agricultural production per hectare of agricultural land in the Project areas (SDG 2.3)</p> <ul style="list-style-type: none"> • Baseline: \$715/ha 	<p>Indicator 5: Not Achieved</p> <p>Per Agriculture Competitiveness Project ISR (August 2021): While the project has supported establishment of farmer production groups (FPGs), providing training and matching grants to some, the results in improving land productivity will only be apparent after a longer period (initial data will be available only by March 2022). (Source: Agriculture Competitiveness Project (P161473) ISR,</p>	<ul style="list-style-type: none"> • 	

<ul style="list-style-type: none"> • Target: \$820/ha 	August 2021).		
Objective 1.3: Investing in infrastructure for growth and inclusion			
<p>6. Share of rural population with access to an all-weather road (<i>SDG 9.1</i>)</p> <ul style="list-style-type: none"> • Baseline: 53% (2017) • Target: 57% (2021) <p>Supplementary Progress Indicator</p> <p><i>6.a Roads in good and fair condition as a share of total national, provincial and district roads in targeted area.</i></p> <ul style="list-style-type: none"> • Baseline: 50% (2017) • Target: 65% (2021) 	<p>Indicator 6: Achieved Per LRSP2 ISR (June 2021): 57 percent of rural population has access to an all-weather road as of May 2021. (Source: Road Sector Project II (P158504) ISR, June 2021)</p> <p>Indicator 6.a: Achieved Per LRSP2 ISR (June 2021): The proportion of provincial and district road network in good and fair condition reached 65 percent in May 2021. (Source: Road Sector Project II (P158504) ISR, June 2021)</p>		<p>Knowledge and Convening</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • Poverty Analysis (P156311) - FY17 • Hydropower Resource Mapping: Lao PDR (P163979) - FY18 • Lao PDR Energy and Extractives Dialogue ASA (P169087) - FY19 • Lao-China Railway Corridor Development ASA (P168595) - FY19 • Lao PRFII Impact Evaluation and Related Studies (P131675) - FY17 • Lao PDR Poverty Monitoring and Analysis Programmatic ASA (P164698) - FY21 • Lao Roads PPP (IFC - 600156) - closed 2017 <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Climate Resilient Economic Corridor Development in
<p>7. Electricity losses per year in the Power Grid Improvement Project area.</p> <ul style="list-style-type: none"> • Baseline: 22% (2017) • Target: Less than or equal to 	<p>Indicator 7: Mostly Achieved Electricity losses are 14.3% per draft ICR for Power Grid Improvement Project (PGIP) (P149599). (Source: Power Grid Improvement Project (P149599) ICR, October 2021)</p>	<p>Lessons learnt from PGIP-ICR:</p> <ul style="list-style-type: none"> • Projects that are primarily directed at fixing clearly identified technical deficiencies with proven technologies and methods, and 	

14% (2020)		<p>that are obviously affordable and are supported by adequate governance structures, are more likely than not to achieve their intended objectives.</p> <p>Given that the selected district had the highest distribution losses in the country, it was an obvious candidate for project selection. While improvements can be made in sector regulation, this did not affect the progress or viability of this discrete project. The experience gained from the project can be subsequently scaled up and replicated to other load areas with high losses.</p> <ul style="list-style-type: none"> • Following a fatal accident, project works were suspended for 3 months while EDL assessed the needs related to safety, including equipment and technical support 	<p>Lao PDR PASA (P171699)</p> <ul style="list-style-type: none"> • Lao PDR Poverty and Equity Programmatic ASA (P176151) - FY23 <p>Financing</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • Road Sector Project (P102398) - <i>closed September 2017</i> • Nam Theun 2 Social and Environmental Project (P049290) - <i>closed December 2017</i> • Power Grid Improvement Project (P149599) - <i>closed March 2020</i> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Road Sector Project II (P158504/P170951) - <i>closes August 2022</i> • Lao National Road 13 Improvement and Maintenance (P163730) - <i>closes May 2023</i> • Poverty Reduction Fund III (P157963/P168620) - <i>closes June 2024</i>
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		<p>that may be addressed through the project. Additional safety equipment was procured. It is essential to embed and reinforce in the organization a culture of safety that is clearly signaled from the top and extends throughout the company and its supervision of external contractors.</p>	<ul style="list-style-type: none"> • Lao PDR Clean Cook Stove Initiative (P169538) - closes December 2025 • Scaling Up Water Supply, Sanitation and Hygiene Project - closes March 2024 <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • South East Asian Regional Economic Corridor and Connectivity Project (P176088) – FY22
<p>8. Reduction in time to access safe water sources in targeted areas (<i>SDG 6.1</i>).</p> <ul style="list-style-type: none"> • Baseline: 0% (2016) • Target: 80% of the pre-project time (2021) 	<p>Indicator 8: Achieved Per PRF ISR (September 2021), the reduction in time to access safe water sources is 81 percent (results as of May 2020). The data have been calculated for 309 safe water sub projects. The total average time travelled by village members to access safe water before these water sub-projects was 29.3 minutes (it is the baseline for the 309 sub-projects, not 0). After project completion, the total average time travelled has changed to 5.4 minutes for these sub-projects. Therefore, the % change in travel time is a reduction of 81.6%. The M&E plan definition of the indicator is: Percentage change in the estimated walking time in terms of minutes to access the nearest safe water source before the PRF infrastructure investment was operational and afterward, as estimated by a focus group of male and female village members. (Source: Poverty Reduction Fund III (P157963) ISR, October 2021)</p> <p>Indicator 9: Achieved 57 percent of the rural population in the 43 districts targeted by</p>	<p>Self-Help Groups (SHGs) are a robust mechanism for social and economic empowerment of women. SHGs were initiated in 2015 during PRF II. The program formed 915 SHGs by mobilizing 10,220 poor households in 165 villages in 2015 and 2016. These SHGs were sustained during PRF III. Based on the experience of the SHGs, the program has further improved the SHG guidelines, included four module trainings on institution building of</p>	<p><i>Guarantee:</i></p> <ul style="list-style-type: none"> • MIGA Guarantee – Nam Theun 2 (P5139)

<p>9. Poverty reduction community grant beneficiaries as a share of the rural population in the targeted districts.</p> <ul style="list-style-type: none"> • Baseline: 0% (2016) • Target: 50% (2021) 	<p>the Poverty Reduction Fund are beneficiaries of the PRF. The actual result is calculated based on the total beneficiaries, 889,302, and the total population of the targeted districts, 1,539,357. (Source: PRF Project MIS system)</p>	<p>SHGs, and simplified the record books to make the SHG program more robust and community friendly. Inclusion of systematic training and capacity building improved the performance of SHGs under PRF III Additional Financing (AF). Proper implementation strategy and well sequenced activities led to formation of 970 SHGs, mobilizing 11,913 poor and vulnerable households in 229 villages in 12 districts from four provinces. Ninety percent of SHG members are women.</p> <p>Improved Loan to Deposit ratio of SHG: A key driver towards Financial Inclusion</p> <p>The number of banks grew from 12 in 2006 to 42 in 2018, driven by the partial liberalization of the sector beginning in 2007. Private sector credit growth fell significantly from 2017</p>	
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		<p>to 2019 after a sustained period of high growth. The loan to deposit ratio was 0.87:1 in 2019. During this period, the loan to deposit ratio of SHGs was 13:1. The total savings amount of SHG members was \$ 314,719 and the total loan amount disbursed to these members was \$ 4.14 million. The SHG model proved resilient during the continuous downward trend of lending due to economic slowdown. Expansion of the SHG model, establishment of commodity-based Producers' Groups, financing from the Agricultural Promotion Bank, Nayoby Bank, and other commercial banks for investment in export-oriented crops and livestock has laid the basis for improving the loan to deposit ratio, promoting profitable business, and enhancing the income of poor and vulnerable households.</p>	
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Focus Area 2: Investing in people

Objective 2.1: Reducing prevalence of malnutrition

<p>10. Stunting rates of under 2 years old in targeted areas (<i>SDG 2.2</i>).</p> <ul style="list-style-type: none"> • Baseline: 42% (2015) • Target: <33% (2021) <p>Supplementary Progress Indicator</p> <p><i>10.a Number of village facilitators (disaggregated by gender) trained in</i></p>	<p>Indicator 10: Partially Achieved</p> <p>The next national survey data (2022 Lao Social Indicator Survey) which would allow verification of the targeted reduction in stunting in the targeted areas was not available by the end of the CPF period.</p> <p>The CLR therefore reports on two results which are key determinants of nutrition outcomes (including stunting). These registered significant improvements during the initial phase of the MNCA (which extends into the next CPF period), reflecting contributions under the Health Governance and Nutrition Development Project (HGNDP–P151425) which operated nationwide throughout the CPF period. (Source: Health Governance and Nutrition Development Project (P151425) ISR, Sept 2021)</p> <p>Number of pregnant women who receive 4 Antenatal Care Contacts Actual: 84,183 (as of May 31, 2021) (Baseline: 54,802 in October 2015; End target: 76,723.00 in December 2021)</p> <p>Number of children under 2 years in target provinces who have at least 4 growth monitoring and promotion sessions in the year and their growth plotted in two specified growth charts Actual: 79,658.00 (as of May 31, 2021) (Baseline: 0 in December 2015; End target: 40,000 in December 2021)</p> <p>Indicator 10.a: Partially Achieved 2,080 female village facilitators have been trained (as of May 31,</p>	<ul style="list-style-type: none"> • The overall stunting rate in Laos decreased significantly in the past decade. However, stunting rates remain very high in some parts of the country. In those areas the proposed WB financed nutrition convergence approach is expected to make an impact and further contribute to reduced national stunting rates. • The overall conceptualization of WB financed nutrition convergence approach required more time than initially expected, given the need to ensure alignment and agreements among multiple sectoral ministries and the need to 	<p>Knowledge and Convening</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • Addressing Vulnerability through Social Protection (P160711) - FY19 • Poverty Analysis (P156311) - FY17 • Lao PDR Health Sector Programmatic ASA (P164585) - FY21 • Lao PDR Poverty Monitoring and Analysis Programmatic ASA (P164698) - FY21 <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Poverty Monitoring and Analysis Programmatic ASA (P176151) - FY23 <p>Financing</p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Health Governance and Nutrition Development Project (P151425) -
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<p><i>social and behavior change communication in targeted districts:</i></p> <ul style="list-style-type: none"> • <i>Baseline: 0 (of which female: 0) (2016)</i> • <i>Target: 3000 (of which female: 2500) (2021)</i> 	<p>2021) per ISR HGNDP (Sept 2021).</p>	<p>identify a leading “multi-sectoral” ministry for the coordination, monitoring and evaluation of the overall approach. The four planned nutrition convergence operations became operational only during the second half of the CPF period. For the sectors without prior engagement with the WB, the first year focused on setting up the overall implementation arrangements.</p> <ul style="list-style-type: none"> • The impact of the overall nutrition convergence approach will only come in the years to come once all the sectoral operations would be fully implemented in the same areas. <p>The monitoring and evaluation framework</p>	<p><i>closes December 2021</i></p> <ul style="list-style-type: none"> • Health and Nutrition Services Access Project (P166165) – <i>closes December 2025</i> • Poverty Reduction Fund III (P157963/ P168620) - <i>closes June 2024</i> • Reducing Rural Poverty and Malnutrition Project (P162565) - <i>closes March 2024</i> • Scaling-Up Water Supply, Sanitation and Hygiene Project (P164901) - <i>closes March 2024</i> • Agriculture Competitiveness Project (P161473) - <i>closes June 2024</i>
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		developed to accompany the overall approach informs all MNCA operations in real time. Baseline results show significant gaps in service utilization, while and stunting is high among some ethnic groups. Continuing M&E will be critical to the success of the convergence approach and inform its scaling up to other geographic areas.	
11. Number of villages declared open defecation free in targeted districts. <ul style="list-style-type: none"> • Baseline: 0 (2015) • Target: 200 (2021) 	Indicator 11: Achieved 514 villages have been declared open defecation free as of May 2021. (Source: HGNDP ISR, Sept 2021)		
Objective 2.2: Improving quality of primary and pre-primary education and keeping girls in school			
12. Percentage of preschool aged children (3-5 years old) attending ECD/ECE/preschool program in target areas (SDG 4.2.2). <ul style="list-style-type: none"> • Baseline: 11% (F: 11%) (2015/16) • Target: 48% (F: 	Indicator 12: Achieved Per ECE ICR (December 2021): 65.7 percent (68.8 percent female) of preschool aged children attended the ECD/ECE/preschool program. (Source: Early Childhood Education Project (P145544) ICR, December 2021) The impact evaluation conducted under the Early Childhood Education (ECE) project (P145544) also documented quality improvements in pre-primary education. Across intervention		Knowledge and Convening <i>Closed:</i> <ul style="list-style-type: none"> • Evaluation of formal and non-formal ECD Services and identification of the root causes for early school dropouts in Laos -

<p>48%) (2021)</p> <p>13. Primary education dropout rate (disaggregated by gender) (in percent)</p> <ul style="list-style-type: none"> • Baseline: 4.7 (F:4.5) (2015-16) • Target: 4.0 (F:3.8) (2021) 	<p>villages implementing the Community Child Development Group and Multi-age teaching interventions, mean literacy scores increased from an average of 0.14 at baseline to 0.22 at endline, and numeracy scores increased from 0.36 at baseline to 0.46 at endline. Both ECE interventions improved the literacy and numeracy abilities of young children in target villages in Laos.</p> <p>Indicator 13: Mostly Achieved</p> <p>Per GPE II ISR (December 2021): The primary education dropout rate for the school year 2020/21 is at 4.1 (F:3.6) percent. Source of information: Ministry of Education and Sports, EMIS for 2020-21 (Source: Second Global Partnership for Education (P149130) ISR, December 2021)</p>		<p><i>FY17</i></p> <ul style="list-style-type: none"> • Quality of Education in Lao PDR (P153341) <i>FY17</i> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> • Early Childhood Education Impact Evaluation Analysis and Dissemination (P167611) - <i>FY21</i> • Reading Readiness Program Impact Evaluation Analysis and Dissemination (P149130) - <i>FY 21</i>
<p>14. Percentage of children who cannot read letters correctly in the Lao alphabet.</p> <ul style="list-style-type: none"> • Baseline: will be available December 2019 • Target: estimated 0.2 standard deviation from the baseline (2020) 	<p>Indicator 14: Mostly Achieved</p> <p>This indicator, added in the PLR, is aligned with the World Bank’s new learning target indicator and counts the number of students who scored 0 (i.e., zero letters read correctly) when reading a list of letters.</p> <p>There has been an improvement over baseline, but by 0.17 standard deviations (SD) versus 0.2SD end target. At baseline, 23.7 percent of children could not read letters correctly. At endline, 16.5 percent could not. This is a 7.2 percentage point improvement.</p> <p>The end target requires at least a 0.2 standard deviation change between the baseline and the endline. The standard deviations at baseline were 0.43. Thus, a 0.2SD change would require an 8.6 percentage point improvement from 23.7 percent down to 15.1 percent. As such the reduction down to 16.5 percent did not reach the 0.2SD target as aimed.</p> <p>The targets were set before COVID-19 which adversely impacted results.</p>		<p>Financing</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • Early Childhood Education Project (P145544) - <i>closed June 2021</i> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Second Global Partnership for Education (P149130) - <i>closes December 2021</i> • Global Partnership for Education III: Learning & Equity Acceleration Project (P173407) -

	(Source: Second Global Partnership for Education (P149130) ISR, December 2021).		<i>closes May 2026</i> <i>Pipeline:</i> <ul style="list-style-type: none"> • Priority Skills for Growth (P172774) – FY22
Objective 2.3: Improving access to and quality of maternal and child health services			
<p>15. Number of pregnant women who received the 4th Antenatal Care contacts.</p> <ul style="list-style-type: none"> • Baseline: 94,511 (18 provinces, 2016, based on DHIS2) - around 53% of total births • Target: 103,962 women (10% increase over baseline) (2020) <p>16. Number of women who deliver with a skilled birth attendant at home or at a health facility (SDG 3.1).</p>	<p>Results achieved by the Health Governance and Nutrition Development Project (P151425) (HGNDP) for the 14 provinces covered by the project have fed directly into Focus Area 2 of the CPF (Objectives 15,16, 16a, and 17) contributing to the full achievement of the relevant targets for all 18 provinces (as measured by the most recent DHIS2):</p> <p>Indicator 15: Achieved Per HGNDP ISR: 116,198 pregnant women (18 provinces, for July 2019-June 2020, based on DHIS2) received the 4th antenatal care contact, representing an increase of 23 percent over the baseline.</p> <p>Indicator 16: Achieved Per HGNDP ISR: 117,529 women delivered with a skilled birth attendant at home or at a health facility (18 provinces, for the period July 2019 -June 2020, based on DHIS2). This represented a 21 percent increase over the baseline.</p>		<p>Knowledge and Convening <i>Closed:</i></p> <ul style="list-style-type: none"> • Addressing Vulnerability through Social Protection (P160711) - FY19 <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Lao PDR Health Sector Programmatic ASA (P164585) - FY21 <p>Financing <i>On-going:</i></p> <ul style="list-style-type: none"> • Health Governance and Nutrition Development Project (P151425) - <i>closes December 2021</i> • Health and Nutrition Services Access Project (P166165) - FY20

<ul style="list-style-type: none"> • Baseline: 96,956 (18 provinces, 2016, based on DHIS2) - around 53% of total births • Target: 106,651 (10% increase over baseline) (2020) <p>Supplementary Progress Indicator</p> <p><i>16.a Percentage of children age 12–23 months who received the third dose of DPT containing vaccine (DPT3) by their first birthday.</i></p> <ul style="list-style-type: none"> • Baseline: 74.6% (according to DHIS 2, 2016) • Target: Over 85% coverage (2021) <p>17. Number of new women aged 15–49 years adopting long term family planning methods in target provinces:</p>	<p>Indicator 16.a: Achieved</p> <p>Per HGNDP ISR, as per protocol by WHO, the DPT (diphtheria–tetanus–pertussis) is now administered as Pentavalent with HebB and Hib added (DPT-HebB-Hib) and therefore the project indicator tracks Pentavalent. July 2020 to June-2021: 92.6 percent coverage (data from DHIS2).</p> <p>Indicator 17: Mostly Achieved</p> <p>As part of the restructuring of the HGNDP project in 2017, the metric for monitoring women’s access to family planning services changed to the “number of women aged 15-49 years who are continuing users of long-term methods of family planning.” This technical change to ensure data accuracy was overlooked in the PLR’s revisions to the results framework. The new metric, as documented by HGNDP, increased by 9.1 percent over the redefined baseline, falling marginally short of the 10 percent target.</p>		
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<ul style="list-style-type: none"> • Baseline: 45,746 women (14 provinces, 2016, based on HGNDP⁶⁹ DLIs/ DHIS2) • Target: 10% increase over baseline 			
Focus Area 3: Protecting the environment			
Objective 3.1: Promoting protection of the environment and responsible management of natural resources			
<p>18. Increased score on Protected Area Management Effectiveness Tracking Tool for 11 protected areas (number, cumulative).</p> <ul style="list-style-type: none"> • Baseline: 0 (2016) • Target: 10 (2021) <p>Supplementary Progress Indicator</p>	<p>Indicator 18: Achieved</p> <p>The overall score for 1.3 million ha of area brought under enhanced biodiversity protection increased to 46, up from a baseline of 22.⁷⁰ This translates into an increase of 24 points compared to the targeted increase of 10.</p> <p>The indicator is tracked under the Second Lao Environment and Social Project (P128393/ P128392).</p> <p>Indicator 18.a: Achieved</p> <p>As of November 2020, 976,211 ha were brought under forest</p>		<p>Knowledge and Convening</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • Exploring Lao PDR's Green Growth Potential (P162394) - FY19 • Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR (P164372) - FY19 • Lao PDR State of Environment Report (P164374) -

⁶⁹ HGNDP = Health Governance and Nutrition Development Project

⁷⁰ The Protected Area Management Effectiveness Tracking Tool is used in the LENS2 Project. This is a standardized tool used globally that measures the strength and effectiveness of institutions in managing protected areas (PA) and biodiversity. In LENS2, it is applied in 11 PAs that receive financing through LENS2. Each individual PA sub-project under implementation with LENS2 financing is scored separately by GoL and averaged together for aggregated reporting.

<p>18.a Forest area brought under forest landscape management plans (Hectare) (SDG 15.2).</p> <ul style="list-style-type: none"> • Baseline: 0 (2016) • Target: 750,000 ha (2021) 	<p>landscape management plans.</p>		<p><i>FY19</i></p> <ul style="list-style-type: none"> • Sustainability in Lao PDR Forest (P164376) - <i>FY19</i> • Collaborative Leadership support for Second Lao Environment & Social Project (P156347) - <i>FY17</i>
<p>19. At least three river basin plans approved by MONRE.</p> <ul style="list-style-type: none"> • Baseline: 0 (2016) • Target: 3 plans (2021) <p>Supplementary Progress Indicator</p> <p>19.a Number of Priority Pollution Watch Sites for which monitoring reports are regularly updated</p>	<p>Indicator 19: Partially achieved</p> <p>Two river basin plans (RBPs) for lower Xebangfai and lower Xebangheng have been revised to incorporate results from the updated water resources assessment report. The final draft of these two RBPs (lower Xebangfai and lower Xebangheng) have been consulted at provincial level in May 2021, with further suggestions to improve sections on climate impact assessment and water quality. The revision of these plans is complete pending final consultation and endorsement by provincial governments and MONRE, before submission to the Government Office for approval. It is expected that the approval process will take up to December 2021. Six other RBPs are under preparation. (Source: Mekong Integrated Water Resources Management Project (MIWRMP) (P104806), ISR May 2021)</p> <p>Indicator 19.a: Not achieved</p> <p>The creation of Priority Pollution Watch Sites (PPWS) was delayed pending progress in the legislative framework for pollution control. MONRE laid the basis for identifying these sites by promulgating policies and procedures for monitoring key air, water and chemical pollutants. A Decree on Pollution Control was approved in April 2021. It confirmed the criteria to determine</p>	<p>The CPF focus on river basin planning spurred significant institutional development during the CPF period. The promulgation of a new Water Resource Law (2019); and approval of a River Basin Management Decree (January 2021) empowered MONRE to coordinate better with related agencies (e.g., Ministry of Energy and Mines, Ministry of Agriculture and Forestry) on data/ information sharing and joint basin monitoring and management. MONRE undertook tremendous efforts to build in-house capacity (both modelling and planning), with less engagement of external</p>	<ul style="list-style-type: none"> • Lao Forestry Advisory (IFC - 594367) - <i>closed June 2020</i> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Forest Note for the Lao People's Democratic Republic (P168798) - <i>FY20</i> • Lao PDR Landscapes Valuation (P169455) - <i>FY20</i> • Resilient Green Growth PASA (P171011) - <i>FY22</i> • Lao Hydro Advisory (IFC - 589087) - <i>closed March 2020</i> <p>Financing</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • Nam Theun 2 Social and Environmental

<p><i>and publicly disclosed.</i></p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2016)</i> • <i>Target: 3 Priority Pollution Watch Sites (2021)</i> 	<p>PPWS. By the end of the CPF period the Department of Pollution Control and Monitoring was piloting the identification of PPWS. (Source: Second Lao Environment and Social Project (P128393) Aide Memoire, May 2021)</p>	<p>consultancy services (both individual and firm) to support the preparation of the RBMPs. A new modelling team comprising the Natural Resources and Environment Institute, the Department of Water Resources under MONRE, and the Lao National Mekong Committee Secretariat was formed under the direction/guidance of the new vice minister.</p>	<p>Project (049290) - <i>closed December 2017</i></p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Second Lao Environment and Social Project (P128393/ P128392) - <i>closes June 2022</i> • Scaling-Up Participatory Sustainable Forest Management (P130222/) - <i>closes July 2022</i> • Mekong Integrated Water Resource Management (P104806) - <i>closes February 2022</i> • Lao PDR Clean Cook Stove Initiative (P169538) - <i>closes December 2025</i> • FCPC Readiness Grant (Carbon Funds) (P125082) – <i>closes December 2025</i> • Lao PDR Landscapes and Livelihoods Project (P170559/ P171406) – <i>September 2027</i>
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			<p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • Enhancing Systematic Land Registration Project (P169669) – FY22 • Lao Environmental and Waste Management Project (P175996) – FY23 <p><i>Guarantee:</i></p> <ul style="list-style-type: none"> • MIGA Guarantee – Nam Theun 2 (P5139)
Objective 3.2: Enhancing disaster risk management and climate and disaster resilience			
<p>20.Length of road receiving climate resilience improvement and maintenance.</p> <ul style="list-style-type: none"> • Baseline: 0 km (2016) • Target: 687 km (2021) 	<p>Indicator 20: Mostly achieved</p> <p>Per LRSP2 ISR (June 2021), 652.15 km of road was improved and maintained with climate resilient measures as of May 2021. Per NR13 ISR (June 2021), 4 km of road was improved to two lanes with climate resilient measures as of June 2021. Hence, the total length of road with climate resilience improvement and maintenance is 656.15 km.</p> <p>(Source: Road Sector Project II (P158504) ISR, June 2021 and Lao PDR Lao National Road 13 Improvement and Maintenance (P163730) ISR, June 2021)</p>		<p>Knowledge and Convening</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • Post Disaster Needs Assessment and Recovery Framework (P169197) - FY19 <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Climate Resilient Economic Corridor Development in Lao PDR PASA (P171699) <p>Financing</p>
<p>21.Accessibility of hydromet data from Lao PDR station network</p> <ul style="list-style-type: none"> • Access to 	<p>Indicator 21: Partially achieved</p> <p>MIWRMP ISR (May 2021):</p> <p>25 new or upgraded DMH hydromet stations produce information for water resources management.</p>		

<p>improved weather forecasts from 85 hydromet stations is not publicly accessible (2017)</p> <ul style="list-style-type: none"> • Access to improved weather forecasts from 155 hydromet stations is publicly accessible through an integrated online platform (2021) 	<p>Under MIWRM project, 25 hydromet stations were upgraded/constructed with near-real time data provided to DMH and relevant agencies within MONRE. Weather and water level forecasts are available on MONRE website (http://dmh.monre.gov.la/), DMH’s Facebook page and WhatsApp group including PMO, ministries, provincial and district offices, media & dam operators. Other hydromet data are also available on request. An additional 90 stations (of which 35 are under joint procurement with the DRM project) will be constructed and upgraded with near-real time data to support water resources management and early warning. Under the DRM project, an additional 35 stations will be upgraded to provide near-real time data. In total, DMH will have 150 upgraded stations that can provide near-real time data under WB financial support.</p> <p>(Source: Mekong Integrated Water Resources Management Project (MIWRMP) (P104806), ISR May 2021)</p>		<p><i>Dropped:</i></p> <ul style="list-style-type: none"> • Disaster Risk Management Development Policy Operation with a Catastrophe Deferred Drawdown Option (P164573) – FY20 <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Road Sector Project II (P158504/P170951) - closes August 2022 • Lao National Road 13 Improvement and Maintenance (P163730) - closes May 2023
<p>22. Access to immediate financing instruments in response to an eligible natural disaster emergency.</p> <ul style="list-style-type: none"> • Baseline: No financing instruments available (2016) • Target: Two financing instruments set up (2021) 	<p>Indicator 22: Partially Achieved</p> <p>DRM ISR (June 2021):</p> <p>In response to an eligible emergency, Lao PDR has access to immediate financing through SEADRIF, which will provide payouts in the event of natural disasters. Lao PDR successfully transferred its SEADRIF insurance premium of \$5 million in March 2021. The WB cancelled a second instrument, a DRM Cat-DDO (\$40 million), due to its assessment of an unfavorable macro-economic situation.</p> <p>(Source: Lao PDR Southeast Asia Disaster Risk Management Project (P160930) ISR, June 2021)</p>	<ul style="list-style-type: none"> • Given the higher frequency of disasters, there is greater need for investment in flood risk reduction infrastructure and improvements in preparedness and resilience of vulnerable areas. An integrated flood risk management approach combining structural and non-structural measures, was proposed under 	<ul style="list-style-type: none"> • Mekong Integrated Water Resources Management Project (MIWRMP) (P104806) - closes February 2022 • Lao PDR Southeast Asia Disaster Risk Management Project (P160930/P170945) - closes October 2022

		<p>the Lao SEADRM AF project for Vientiane, Pakxan, and Luang Prabang, which can be model cities for effective DRM. Ongoing WB technical assistance programs will continue to support the introduction of innovative ICT approaches.</p> <ul style="list-style-type: none"> • Second, project implementation shows the need for continuous technical and management capacity building. The AF relies on existing implementing structures, facilitating faster implementation of AF investments, including procurement processes. Strengthening fiscal resilience at different levels of government and other aspects of resilience in the financial sector, SMEs and households should be an integral part of DRM. 	
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Cross-cutting theme: Strengthening institutions and systems for improved policy implementation			
23. Portion of completed Environmental and Social Impact Assessments (ESIA) for Category 2 mining, energy, and transport investment projects that have been publicly disclosed prior to approval of	<p>Indicator 23: Achieved</p> <p>Results covered by the LENS2 project contributed directly to this CPF indicator. As of December 2020, the cumulative public disclosure for the compliance monitoring reports for Category 2 projects under hydropower, mining and transport is summarized below. 48 out of 92 projects have publicly disclosed their environmental compliance monitoring reports. This is equivalent to 52%, exceeding the 50% target.</p> <p>The environmental compliance monitoring reports were uploaded onto the MONRE relevant department's website: www.dpcm.monre.gov.la/ (some of them are currently on the</p>		<p>Knowledge and Convening</p> <p><i>Closed:</i></p> <ul style="list-style-type: none"> • Exploring Lao PDR's Green Growth Potential (P162394) - FY19 • Public Expenditure and Financial Accountability (P165614) - FY19 • Public Finance

<p>concession agreements.</p> <ul style="list-style-type: none"> • Baseline: 0% (2017) • Target: 50% (2021) 	<p>EPF website but will migrate to the PCDM/MONRE website following a system upgrade)</p> <ul style="list-style-type: none"> • Hydropower: there are 51 active projects (21 under construction, and 30 under operation). 38 environmental compliance monitoring reports from 26 projects have been disclosed. This is equivalent to 51% project coverage. • Mining: there are 39 active projects (5 under construction, and 34 under operation). 42 environmental compliance monitoring reports from 21 projects have been disclosed. This is equivalent to 53% project coverage. • Roads: there are two active projects (one under construction and one operational). One environmental compliance monitoring report has been disclosed. This is equivalent to 50% project coverage. <p>(Source: Second Lao Environment and Social Project (P128393) ISR, January 2022)</p>		<p>Management Modernization (P158658) - FY19</p> <ul style="list-style-type: none"> • ICT Sector Rapid Assessment (P168398) - FY19 • Enhancing Systematic Land Registration (P168100) - FY19 • Lao PDR: Digital Development Technical Assistance (P169250) - FY20 • Lao PDR Sustainable Energy and Extractives Advisory Program (P171029) – FY21 <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Resilient Green Growth Programmatic Analytical and Advisory Services (P171011) - FY22 • Programmatic Public Finance Management Reform (P167660) - FY23 <p>Financing</p>
<p>24. Number of publicly available annual reports on the implementation of policy on sustainable hydropower development.</p> <ul style="list-style-type: none"> • Baseline: 1 	<p>Indicator 24: Mostly achieved</p> <p>At PLR: Three Annual Status Reports (2016, 2017, 2018) are publicly available. The draft Policy on Sustainable Hydropower Development Action Plan (2018–2019) is also available.</p> <p>Per 2016-2019 Annual Status Report (link to the attachment included in the HMTA project file). Due to delays in obtaining data and disseminating the results, the Ministry of Energy and Mines (MEM) decided to prepare the Status Report result for 2017 &</p>	<ul style="list-style-type: none"> • Adaptive management. In response to the government’s changing needs and evolving dynamics of natural resources and disaster management, HMTA offers a 	

<p>(2016)</p> <ul style="list-style-type: none"> • Target: 5 (2021) <p>Supplementary Progress Indicator</p> <p><i>24.a Improved Power Strategy/ White paper</i></p> <ul style="list-style-type: none"> • <i>Baseline: Existing strategy (2016)</i> • <i>Target: White paper issued by Ministry of Energy and Mines (MEM) (2018); White paper presented to the Government for endorsement (2019)</i> 	<p>2018 in the same report and organized a dissemination workshop in 2018. The new Policy on Sustainable Hydropower Development (PSHD) criteria were approved in December 2018 (as attached) and disclosed to the public through dissemination and training workshops in different regions (Northern, Central and Southern parts). MEM also approved the new Policy on Sustainable Hydropower Development criteria in December 2018.</p> <p>The TA for Capacity Development in the Hydropower and Mining (HMTA) Project (P109706) supported and tracked this indicator (via the project Result Framework). Reports are available at the Ministry of Energy and Mines official website (now under improvement/ maintenance): https://www.mem.gov.la/?page_id=629&lang=en</p> <p>Indicator 24.a: Achieved</p> <p>The “Vision 2030, Strategic Development 2015- and 5-Year Energy and Mining Development Plan (2016-2020)” was approved by the government in December 2017. The plan comprises a White Paper, which has not been officially approved, but was used as a key input for the Vision 2030. MEM does not use the term “White Paper”, but prefers to adopt the term Vision, Strategic Development Plan instead.</p> <p>(Source: The TA for Capacity Development in the Hydropower and Mining (HMTA) Project (P109706) supports and tracks this indicator. The reports were available at the Ministry of Energy and Mines official website.)</p> <p>Indicator 24.b: Achieved</p> <p>The MEM sector strategies (required by the Mineral Law 2018 and Electricity Law) have been approved by the Prime Minister’s Office (HMTA ICR).</p>	<p>relevant example as evidenced by the Bank’s rapid response to the failure of the Xe Pian–Xe Namnoy hydropower dam in July 2018. The Bank responded to the MEM’s request for supporting the National Emergency Dam Safety Inspection, providing a leading role for preparing the dam safety inspection and review framework, and reallocating resources for establishing a secretariat on time and effectively.</p> <ul style="list-style-type: none"> • At a strategic level, HMTA strengthened the Bank’s position as a trusted advisor to the energy and extractive sectors. It also strengthened legitimacy and leadership and the likelihood that the WB will be asked to convene further DP support to the energy sector. To be more efficient and effective, 	<p><i>Closed:</i></p> <ul style="list-style-type: none"> • Nam Theun 2 Social and Environmental Project (P049290) - <i>closed December 2017</i> • Strengthening the National Statistical System Project (P129825) - <i>closed Feb 2018</i> • Green Growth DPO1 (P159986) <i>closed June 2018</i> • Lao PDR Green Growth DPO 2 (P166839) - <i>closed December 2020</i> • Lao PDR Green Growth DPO 3 (P171431) – <i>Dropped</i> • Technical Assistance for Capacity Development in Hydropower and Mining Sector (HMTA) (P109736) - <i>closed September 2020</i> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • Second Lao Environment and Social Project
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<p>24.b <i>Improved Mining Sector Strategy</i></p> <ul style="list-style-type: none"> • <i>Baseline: Existing strategy (2016)</i> • <i>Target: Revised/update mining sector strategy issued by MEM (2018); Revised/update mining sector strategy presented to the Government for endorsement (2019).</i> 	<p>The “Vision 2030, Strategic Development 2015- and 5-Year Energy and Mining Development Plan (2016-2020)” were approved by the government in December 2017. (Source: The TA for Capacity Development in the Hydropower and Mining (HMTA) Project (P109706) supports and tracks this indicator. The reports were available at the Ministry of Energy and Mines official website.)</p>	<p>the WB needs to focus more on DP coordination, involving greater information-sharing and cooperation to promote sustainable hydropower and an effective regulatory framework.</p> <ul style="list-style-type: none"> • Institutional considerations and the relative prominence of ministries have an important impact on administrative efficiencies. This means that decisions taken outside the Ministry of Energy and Mines can have a significant effect on its regulatory authority. Such institutional structures should be considered in all aspects of capacity building and communication strategies. 	<p>(P128393) - <i>closes June 2022</i></p> <ul style="list-style-type: none"> • Public Finance Management Reform Project (P167661) - <i>closes March 2022</i> • Enhancing Public Finance Management through Information and Communication Technology and Skills (E-FITS) Project (P167534) - <i>closes August 2025</i> • Lao PDR Civil Registration and Vital Statistics Project (P167601) – <i>closes March 2025</i> <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • Enhancing Systematic Land Registration Project (P169669) - <i>FY22</i>
<p>25. Implementation of the Ministry of Finance’s Public Finance Management Strategy.</p>	<p>Indicator 25: Mostly Achieved</p> <ul style="list-style-type: none"> • With WB support, MOF adopted a PFM Strategy in 2018 and is currently implementing it through the PFM Reform Program funded by the EU and the E-FITS project. The program includes a comprehensive M&E framework, with links to the PFM 	<ul style="list-style-type: none"> • Reforms take a long time to implement, and expectations need to be managed: PFM reforms are complex in nature and 	

<ul style="list-style-type: none"> • Baseline: No Strategy in place (2016) • Target: M&E framework for the PFM Strategy in place and at least two progress reports prepared (2021) 	<p>Reform Strategy and the 2018 Public Expenditure and Financial Accountability Assessment. A dedicated M&E officer in the E-FITS PIU prepared two annual progress reports on program implementation for the World Bank. MOF is considering expanding the responsibilities of the M&E officer to cover M&E of the whole PFM Strategy. The program supported by the WB focuses on key pillars of the Strategy, namely: improving revenue management, budget preparation and execution, human resources management, public procurement, reform coordination and change management. The program is currently being expanded with support from DFAT to cover additional topics of high priority to the MOF including (i) reform of SOEs; (ii) improving PFM in key sectors; (iii) transitioning to international financial reporting standards; and (iv) mainstreaming gender in PFM. MoF developed two action plans to operationalize the strategy, for 2018- 2020 and for 2021-2025.</p>	<p>politically sensitive. They take a long time to design and implement, especially in a context of low capacities, cumbersome bureaucratic processes, overly complicated administrative procedures, and very hierarchical structure. It is important to be persistent and patient and aim at small, incremental changes. One should also be prepared for reform reversals due to political reasons.</p> <ul style="list-style-type: none"> • It is important to have a good combination of local and international staff and consultants. While the MOF is looking for international expertise and experience, they also value local knowledge and people who understand the local way of working. For 	
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		<p>hands-on support and regular follow up, a continuous in-country presence is a critical success factor. Thus, it is important to have both local staff and local consultants who can primarily serve as a bridge between the international expertise and the MOF.</p> <ul style="list-style-type: none"> • Consideration should be given towards the sustainability of reforms while implementation is still very much in progress. A common theme that emerges from the implementation of the E-FITS project is whether the FMIS, GFIS, DMFAS as well as the various automated systems introduced will be technically and financially sustainable. The technical sustainability issue arises from the generally weak technical skills 	
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		<p>capacity in the MOF. Financial sustainability arises from future commitments for the government to pay license and maintenance fees. These issues make it more important to continue the PFM capacity building, accompanied by rigorous change management that addresses the systemic constraints to change. On financial sustainability, a concerted effort will be needed to encourage the government to start including system maintenance costs in the budget as the development of these systems mature. Overall, the good record of maintaining legacy PFM systems as well as the economic benefits of such systems gives a positive expectation that this will be done</p>	
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		by the government. However, against an emerging tightening fiscal situation faced by the government, this risk needs to be continuously monitored.	
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CLR Annex 2: Planned Financing Program and Actual Deliveries

Indicative Financing Program under CPF	Approved Projects
Supporting Inclusive Growth	
<ul style="list-style-type: none"> • Lao Road Sector Project II (FY17, \$25m) • Loan to Banque Franco Lao – IFC (FY17, \$10m) • Loan to ACLEDA Bank – IFC (FY17, \$9m) • Loan to a commercial bank – IFC (FY18, \$20m) • Statistics and CRVS (FY18, \$20m) • Agriculture Commercialization (FY18, \$25m) • Investment in hydropower (Xekatam)– IFC (FY18, \$15-20m) • Competitiveness and Private Sector Development • National Road 13 North • Rural Development / Electrification • Energy Connector Project 	<p>FY17</p> <ul style="list-style-type: none"> • Lao PDR Green Growth DPO 1 (P159956; \$38.6m) • Lao PDR Road Sector Project 2 (P158504, \$25m) • Loan to Banque Franco Lao – IFC (FY17, \$10m) • Loan to ACLEDA Bank – IFC (FY17, \$9m) <p>FY18</p> <ul style="list-style-type: none"> • Agriculture Competitiveness Project (P161473, \$25m) • Lao National Road 13 Improvement and Maintenance (P163730; \$40m) <p>FY19</p> <ul style="list-style-type: none"> • Enhancing Public Finance Management through Information and Communication Technology and Skills (E-FITS) Project (P167534, \$20m) • Lao PDR Competitiveness and Trade Project (P164813, \$10m) • Lao PDR Green Growth DPO 2 (P166839, \$40m) <p>FY20</p> <ul style="list-style-type: none"> • Lao PDR Financial Sector Safety Net Strengthening (P169194, \$35m) • Lao PDR Road Sector Project 2 - Additional Financing (P170951, \$25 million) <p>FY21</p> <ul style="list-style-type: none"> • MSME Enterprise Access to Finance Emergency Support and Recovery project (P174169, \$40m)
Investing in People	
<ul style="list-style-type: none"> • Social protection system to reduce vulnerability and malnutrition (FY19) • Additional Financing for Health Governance and Nutrition Development Program (IDA and TF, FY18, \$10m) 	<p>FY18</p> <ul style="list-style-type: none"> • Health Governance and Nutrition Development Project Additional Financing (P163949, \$10m) <p>FY19</p>

Indicative Financing Program under CPF	Approved Projects
<ul style="list-style-type: none"> • Universal Health Coverage • Water Supply and Sanitation for Health • Education in early years 	<ul style="list-style-type: none"> • Reducing Rural Poverty and Malnutrition Project (P162565, \$27m) • Scaling-Up Water Supply, Sanitation and Hygiene Project (P164901, \$25m) <p>FY20</p> <ul style="list-style-type: none"> • Health and Nutrition Services Access Project (P166165, \$23m) • Poverty Reduction Fund III Additional Financing (P168620, \$22.5 million) • Lao PDR COVID-19 Response Project (P173817, \$18m) • Lao People’s Democratic Republic Civil Registration and Vital Statistics Project (P167601, \$25m) <p>FY21</p> <ul style="list-style-type: none"> • Lao PDR COVID-19 Response Project Additional Financing (P175771, \$10m) • Lao PDR Global Partnership for Education III: Learning and Equity Acceleration Project (P173407, \$30m)
Protecting the Environment	
<ul style="list-style-type: none"> • Mekong Integrated Water Resources Management Additional Financing (FY18, \$25m) • Disaster Risk Management (FY18, \$30 m) • Sustainable Energy and Extractives Development TA (FY18, \$20 m) • GHG Emissions Reduction from Forests (Carbon Fund, FY18, \$30 m) • Forestry plantation & processing – IFC • Renewable Energy Project (hydro or solar or wind) – IFC 	<p>FY18</p> <ul style="list-style-type: none"> • Mekong Integrated Water Resources Management Additional Financing (P159447, \$25m) • Lao PDR Southeast Asia Disaster Risk Management Project (P160930, \$30m) <p>FY20</p> <ul style="list-style-type: none"> • Lao PDR Southeast Asia Disaster Risk Management Additional Financing (P170945, \$25m) • Additional Financing for Scaling Up Participatory Sustainable Forest Management Project (P170810, \$5m) <p>FY21</p> <ul style="list-style-type: none"> • Lao Landscapes and Livelihoods Project (P170559, \$34m)

Indicative Financing Program under CPF	Approved Projects
Strengthening Institutions and Systems for Implementation	
<ul style="list-style-type: none"> • Green Growth development policy financing series (FY17, \$ 40m) 	<p>FY17</p> <ul style="list-style-type: none"> • Green Growth DPO1 (P159956; \$38.6m) <p>FY19</p> <ul style="list-style-type: none"> • Lao PDR Green Growth DPO 2 (P166839, \$40m)

CLR Annex 3: Planned Knowledge and Convening and Actual Deliveries

Indicative Knowledge and Convening Program under CPF	Completed Knowledge and Convening Program
Supporting Inclusive Growth	
<ul style="list-style-type: none"> • Macroeconomic Monitoring – including Lao economic Monitor and Public Expenditure Analysis • Poverty Analysis • Public Finance Management Modernization Analytical Program • Financial Sector Development Analytical Program • Trade and Competitiveness Analytical Program 	<p>FY17</p> <ul style="list-style-type: none"> • Lao Economic Monitor (P158830) <p>FY18</p> <ul style="list-style-type: none"> • Lao PDR Economic Monitoring PA(P148008) • Lao PDR Public Expenditure Analysis (P158831) • Lao Economic Monitor FY18 (P164978) <p>FY19</p> <ul style="list-style-type: none"> • Lao PDR Trade and Competitiveness Analytical Program (P146216) • Lao PDR's Public Finance Management Modernization Strategy (P158658) • Lao PDR: Financial Sector Development (P160715) • Public Expenditure and Financial Accountability Assessment (P165614) • Enhancing Systematic Land Registration (P168100) • Lao-China Railway Corridor Development ASA (P168595) • Public Expenditure Analysis and Dialogue (P168766) • Lao PDR Energy and Extractives Dialogue ASA (P169087) <p>FY20</p> <ul style="list-style-type: none"> • Lao PDR Programmatic Macroeconomic Monitoring (P168469) • Lao PDR Business Climate TA (P168814) • TFC1: Domestic Revenue Mobilization (P168975) • TFC2: Budget preparation and execution (P168973) • TFC3: Public Procurement Reform (P168976) • TFC4: PFM Reform Coordination (P168974) • RISK BASED AML/CFT SUPERVISION (P169215) • Lao PDR Landscapes Valuation (P169455) • Lao PDR Poverty Assessment (P173264) <p>FY21</p> <ul style="list-style-type: none"> • Lao PDR Poverty Monitoring and Analysis Programmatic ASA (P164698) • Lao PDR Payment Systems (FIRST; P168897) • Lao PDR Country Economic Memorandum (P172222)
Investing in People	

Indicative Knowledge and Convening Program under CPF	Completed Knowledge and Convening Program
<ul style="list-style-type: none"> • Civil Registration and Vital Statistics • Addressing Vulnerability and Malnutrition • Pro-poor Rural Water Supply and Sanitation • Education Sector Analytical Program 	<p>FY17</p> <ul style="list-style-type: none"> • Lao PRFII Impact Evaluation and Studies (P131675) • Evaluation of ECD and school dropouts (P156227) • Quality of education in Lao PDR (P153341) <p>FY19</p> <ul style="list-style-type: none"> • Addressing vulnerability through Social Protection (P160711) <p>FY21</p> <ul style="list-style-type: none"> • Lao PDR Health Sector Programmatic ASA (P164585)
Protecting the Environment	
<ul style="list-style-type: none"> • Mining • Hydro Strategy • Energy and Extractives Analytical Program • Hydro Advisory 	<p>FY18</p> <ul style="list-style-type: none"> • Hydropower Resource Mapping: Lao PDR (P163979) <p>FY19</p> <ul style="list-style-type: none"> • Exploring Lao PDR's Green Growth Potential (P162394) • Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR (P164372) • Lao PDR State of Environment Report (P164374) • Sustainability in Lao PDR Forest (P164376) • Lao PDR Post Disaster Needs Assessment and Recovery Framework (P169197) <p>FY20</p> <ul style="list-style-type: none"> • Forest Note for the Lao People's Democratic Republic (P168798) • Lao Biodiversity: A Priority for Resilient Green Growth (P174103) <p>FY21</p> <ul style="list-style-type: none"> • Lao PDR Sustainable Energy and Extractives Advisory Program (P171029)
Strengthening Institutions and Systems for Implementation	
<ul style="list-style-type: none"> • Green Growth Analytical Work 	<p>FY17</p> <ul style="list-style-type: none"> • Collaborative Leadership support Lao PDR (P156347) <p>FY18</p> <ul style="list-style-type: none"> • LA: ICT Sector Rapid Assessment (P165398) <p>FY20</p> <ul style="list-style-type: none"> • Lao PDR: Digital Development Technical Assistance (P169250)

CLR Annex 4: Recipient Executed Trust Fund Program (FY17-21)

FY	Lead GP/Global Themes	Project ID	Project Name	Bank Approval	Net Commitment Amount (\$M)
2017	Macroeconomics, Trade and Investment	P159062	Additional Financing to the Second Trade Development Facility Project	16-Dec-2016	2.5
2019	Governance	P167661	Lao PDR Public Finance Management Reform Project	24-Jan-2019	1.7
	Energy & Extractives	P169538	Lao PDR Clean Cook Stove Initiative	26-Jun-2019	6.4
2020	Energy & Extractives	P170644	Lao PDR Clean Cook Stove Initiative	3-Nov-2019	5.2
2021	Environment, Natural Resources & the Blue Economy	P165751	FCPF Carbon Fund: Lao PDR Northern Laos Emission Reductions Payments Project	11-Dec-2020	42.0
	Urban, Resilience and Land	P170640	Public Information and Awareness Services for Vulnerable Communities in Lao PDR	30-Jun-2021	2.5
	Macroeconomics, Trade and Investment	P176856	Lao PDR Competitiveness and Trade Project - Additional Financing	25-Jun-2021	2.7

CLR Annex 5: IEG Evaluation of Projects Implemented during CPF period (FY17-FY21)

Exit FY	Project ID	Project Name	IEG Outcome	Overall Bank Performance
2017	P101750	Lao PDR Customs and Trade Facilitation	Satisfactory	Moderately Satisfactory
	P123480	LA-Poverty Reduction Fund II	Moderately Satisfactory	Moderately Satisfactory
2018	P049290	LA - Nam Theun Social & Environment*	Satisfactory	Satisfactory
	P076445	LA-Nam Theun 2 Power Project*	Satisfactory	Satisfactory
	P102398	LA-Road Sector Project	Satisfactory	Satisfactory
	P129825	STATISTICS FOR RESULTS PROJECT	Moderately Unsatisfactory	Moderately Unsatisfactory
2019	P130512	Lao PDR Trade Development Facility 2	Moderately Satisfactory	Moderately Satisfactory
2021	P109736	TA for Capacity Development in Hydropower and Mining Sector	Satisfactory	Satisfactory
	P131201	Lao PDR - Small and Medium Enterprise Access to Finance Project	Moderately Satisfactory	Moderately Satisfactory

**Per Project Performance Assessment Report of Nam Theun 2 Hydroelectric and Social and Environment Project (December 16, 2020), both the outcome*

and Bank performance were rated satisfactory.

CLR Annex 6: IFC Program FY17-21

Statement of IFC Investment Program Active during FY17-FY21 in Lao PDR (\$ million)

Commit FY	ID	Project Name	Industry Group	Sector	Project Count	Own Account	B-Loan	Other Core Mobilization	Total
2019	42059	BIM Land (Holiday Inn)	MAS	Accommodation & Tourism Services	0	20.00			20.00
2018	39093	Aanandi Lao Co Ltd	MAS	Construction and Real Estate	1	2.00			2.00
2017	39141	Acleda Lao Kip II	FIG	Finance & Insurance	1	9.08			9.08
2015	36292	Acleda Lao Kip Loan	FIG	Finance & Insurance	1	9.00			9.00
2015	32726	BFL Risk Sharing Facility	FIG	Finance & Insurance	1	5.00			5.00
2013	32557	Essilor Lao	MAS	Industrial & Consumer Products	1	10.50			10.50
2010	28141	Electricite du Laos	INR	Power	1	15.00			15.00
2009	27914	KS Resort Luang Prabang	MAS	Accommodation & Tourism Services	1	4.00			4.00
Total					7	54.58			54.58

IFC Advisory Program Active during FY17-FY21 in Lao PDR

ID	Project Name	Primary Business Line Name	Status as of 06/30/2021	Start Date	End Date
606291	Lao Forestry Burapha E&S	MAS Upstream	Active	06/16/2021	09/16/2021
605755	Vientiane Integrated Logistics Park	INR Upstream	Active	11/30/2020	12/01/2021
604513	Lao Transmission Project	INR Upstream	Active	03/16/2020	12/31/2021
601396	Lao PDR Investment Climate Reform	CMA	Active	03/01/2018	06/30/2023
604318	Cambodia & Laos CG	ESG	Completed	07/12/2019	12/31/2020
600525	Lao Secured Transaction Phase 2	A2F	Completed	01/01/2016	06/30/2019
600450	Lao Credit Bureau Phase 2	A2F	Dropped	07/01/2015	12/31/2019
600269	Lao Payment System	A2F	Completed	03/01/2014	12/31/2018
600156	Lao Road PPP	PPP	Completed	12/11/2013	09/30/2017
594367	Lao Forestry	MAS Advisory	Completed	04/02/2013	06/30/2021
589087	Lao Hydro	ESG	Completed	09/07/2012	12/31/2020

CLR Annex 7: MIGA's Portfolio at the end of the CPF period (FY21)

Project name	Effective date	Expiration date	Investor	Sector	Gross Exposure (millions)
Nam Theun 2	06/14/2005	06/12/2025	BNP Paribus	Infrastructure	\$4.3
Total					\$4.3

Annex 3 - Selected Indicators of Bank Portfolio Performance and Management

Selected Indicators* of Bank Portfolio Performance and Management

As of Date 11/29/2022

Indicator	FY20	FY21	FY22	FY23
Portfolio Assessment				
Number of Projects Under Implementation ^a	22.0	22.0	23.0	22.0
Average Implementation Period (years) ^b	3.8	3.4	3.5	3.6
Percent of Problem Projects by Number ^{a, c}	4.5	4.5	4.3	4.5
Percent of Problem Projects by Amount ^{a, c}	7.3	3.7	2.5	2.6
Percent of Projects at Risk by Number ^{a, d}	4.5	4.5	4.3	4.5
Percent of Projects at Risk by Amount ^{a, d}	7.3	3.7	2.5	2.6
Disbursement Ratio (%) ^e	24.9	15.7	18.7	5.7
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				
<hr/>				
Memorandum Item	Since FY80	Last Five FYs		
Proj Eval by IEG by Number		70	6	
Proj Eval by IEG by Amt (US\$ millions)		1,232.8	134.6	
% of IEG Projects Rated U or HU by Number		25.7	0.0	
% of IEG Projects Rated U or HU by Amt		20.6	0.0	

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 4 - Operations Portfolio (IBRD/IDA and Grants)

Data as of November 30, 2022

Lead GP/Global Themes	Prod. Line	Project ID	Project Name	Bank Approval Date	Closing Date	Project Ratings - DO	Project Ratings - IP	Overall Risk	IDA/ TF Financing (\$m)			Co-Financing (\$m)		
									Net Comm. Amount	Total Disbursement	Undisbursed Balance	Net Comm. Amount	Total Disbursement	Undisbursed Balance
Total									802.1	245.4	517.2	63.5	18.8	44.7
Agriculture and Food	PE	P161473	Agriculture Competitiveness Project	26-Apr-2018	28-Jun-2024	MS	MS	M	25.0	16.3	6.9	0.0	0.0	0.0
Education	PE	P172774	Lao PDR Priority Skills for Growth	01-Mar-2022	30-Jun-2027	S	S	S	46.0	0.0	43.1	0.0	0.0	0.0
Education	PE	P173407	Lao PDR Global Partnership for Education III: Learning and Equity Acceleration Project	18-Mar-2021	31-May-2026	MS	MS	M	30.0	7.0	20.1	16.9	0.6	16.3
Energy & Extractives	RE	P169538	Lao PDR Clean Cook Stove Initiative	26-Jun-2019	30-Jun-2025	MS	S	S	1.2	0.5	0.8	0.0	0.0	0.0
Energy & Extractives	RE	P170644	Lao PDR Clean Cook Stove Initiative	03-Nov-2019	31-Oct-2025				2.0	0.0	2.0	0.0	0.0	0.0
Environment, Natural Resources & the Blue Economy	GE	P171406	GEF Landscapes and Livelihoods Project (Note: This is Co-Financing of P170559)	23-Feb-2021	30-Sep-2027		MS		0.0	0.0	0.0	7.4	0.6	6.8
Environment, Natural Resources & the Blue Economy	PE	P128393	Second Lao Environment & Social Project (formerly Protected Area and Wildlife Project)	02-Apr-2014	31-Dec-2022	MS	MS	M	32.0	30.6	0.0	6.8	6.8	0.0

Lead GP/Global Themes	Prod. Line	Project ID	Project Name	Bank Approval Date	Closing Date	Project Ratings - DO	Project Ratings - IP	Overall Risk	IDA/ TF Financing (\$m)			Co-Financing (\$m)		
									Net Comm. Amount	Total Disbursement	Undisbursed Balance	Net Comm. Amount	Total Disbursement	Undisbursed Balance
Environment, Natural Resources & the Blue Economy	PE	P170559	Lao Landscapes and Livelihoods Project	23-Feb-2021	30-Sep-2027	S	MS	S	34.0	2.9	28.1	16.0	1.3	14.7
Environment, Natural Resources & the Blue Economy	RE	P165751	FCPF Carbon Fund: Lao PDR Northern Laos Emission Reductions Payments Project	11-Dec-2020	31-Dec-2025	S	S	S	42.0	3.0	39.0	0.0	0.0	0.0
Finance, Competitiveness and Innovation	PE	P169194	Lao PDR Financial Sector Safety Net Strengthening	30-Mar-2020	30-Sep-2024	MS	MS	S	35.0	6.5	27.3	0.0	0.0	0.0
Finance, Competitiveness and Innovation	PE	P174169	Micro, Small, and Medium Enterprise Access to Finance Emergency Support and Recovery Project	22-Oct-2020	28-Nov-2025	MS	MS	S	40.0	10.4	26.6	0.0	0.0	0.0
Governance	PE	P167534	Enhancing Public Finance Management through Information and Communication Technology and Skills (E-FITS) Project	14-Mar-2019	31-Aug-2025	MU	MU	S	20.0	2.6	15.8	0.0	0.0	0.0
Health, Nutrition & Population	PE	P166165	Health and Nutrition Services Access Project	12-Mar-2020	31-Dec-2025	MS	S	S	23.0	8.3	14.0	3.0	1.4	1.6

Lead GP/Global Themes	Prod. Line	Project ID	Project Name	Bank Approval Date	Closing Date	Project Ratings - DO	Project Ratings - IP	Overall Risk	IDA/ TF Financing (\$m)			Co-Financing (\$m)		
									Net Comm. Amount	Total Disbursement	Undisbursed Balance	Net Comm. Amount	Total Disbursement	Undisbursed Balance
Health, Nutrition & Population	PE	P167601	Lao People's Democratic Republic Civil Registration and Vital Statistics Project	30-Mar-2020	31-Mar-2025	S	S	M	25.0	6.2	17.7	0.0	0.0	0.0
Health, Nutrition & Population	PE	P173817	Lao PDR COVID-19 Response Project	06-Apr-2020	31-Dec-2023	S	MS	S	28.0	17.3	9.9	5.0	3.8	1.2
Macroeconomics, Trade and Investment	PE	P164813	Lao PDR Competitiveness and Trade Project	27-Sep-2018	31-Dec-2024	MS	S	M	10.0	7.4	2.4	5.7	2.8	2.9
Social Protection & Jobs	PE	P162565	Reducing Rural Poverty and Malnutrition Project	14-Mar-2019	31-Mar-2024	S	S	S	27.0	16.7	9.5	0.0	0.0	0.0
Social Sustainability and Inclusion	PE	P157963	Poverty Reduction Fund III	24-May-2016	30-Jun-2024	S	S	M	52.5	40.0	11.7	0.0	0.0	0.0
Transport	PE	P158504	Lao Road Sector Project 2 (LRSP2)	13-Dec-2016	31-Dec-2025	S	MS	S	50.0	28.1	20.3	0.0	0.0	0.0
Transport	PE	P163730	Lao National Road 13 Improvement and Maintenance	18-May-2018	31-May-2023	S	MS	S	40.0	16.0	20.6	0.0	0.0	0.0
Transport	PE	P176088	Southeast Asia Regional Economic Corridor and Connectivity Project	18-May-2022	31-May-2028	S	S	S	131.9	0.0	124.3	0.0	0.0	0.0
Urban, Resilience and Land	PE	P160930	Lao PDR Southeast Asia Disaster Risk	06-Jul-2017	31-Dec-2024	MS	MS	M	55.0	19.4	33.9	1.0	0.8	0.2

Lead GP/Global Themes	Prod. Line	Project ID	Project Name	Bank Approval Date	Closing Date	Project Ratings - DO	Project Ratings - IP	Overall Risk	IDA/ TF Financing (\$m)			Co-Financing (\$m)		
									Net Comm. Amount	Total Disbursement	Undisbursed Balance	Net Comm. Amount	Total Disbursement	Undisbursed Balance
			Management Project											
Urban, Resilience and Land	PE	P169669	Enhancing Systematic Land Registration Project	02-Sep-2021	30-Sep-2026	MS	MS	S	25.0	2.8	20.3	1.7	0.7	1.0
Urban, Resilience and Land	RE	P170640	Public Information and Awareness Services for Vulnerable Communities in Lao PDR	30-Jun-2021	31-Jul-2024	S	S	M	2.5	0.4	2.1	0.0	0.0	0.0
Water	PE	P164901	Scaling-Up Water Supply, Sanitation and Hygiene Project	14-Mar-2019	31-Mar-2024	MS	MS	M	25.0	3.0	20.8	0.0	0.0	0.0

Annex 5 - Statement of IFC's Held and Disbursed Portfolio (as of October 31, 2022)

Investment Portfolio by Industry Group

Industry Group	FIG	MAS	INR	Total
Committed Exposure	8.7	-	26.1	34.8
<i>Portfolio Outstanding</i>	1.7	-	-	1.7
<i>of which Loan Outstanding</i>	1.7	-	-	1.7
<i>of which Equity Outstanding</i>	-	-	-	-
<i>Undisbursed</i>	7.0	-	26.1	33.1
Non-Performing Loans (NPLs)	-	-	-	-
NPL Ratio (%)	0.0%	0.0%	0.0%	0.0%

Investment Portfolio Clients by Committed Exposure in Lao PDR

Client	Industry	Industry Group Sector	Committed Exposure	Portfolio Outstanding
VLP Dry Port	INR	Infrastructure	26.1	-
Aceda Lao	FIG	Financial Markets	8.7	1.7

Advisory (as of Oct 31, 2022)

Advisory Services Portfolio by Industry

Industry	Total Funds Managed by IFC
MAS	3.4
INR	1.6
ESG	0.1
Regional Advisory	1.9
Total AS Portfolio in Lao People's Democratic	7.0

Advisory Portfolio by Project

Project	Primary Sector Name	Primary Business Area	Total Funds
INR			1.6
Lao-PDR-Vientiane Integrated Logistics Park (VLP) CSP	Transportation and Warehousing	INR	0.3
Laos Transmission Advisory Project	Electric Power	INR	1.3
Lao-PDR-Vientiane Integrated Logistics Park (VLP) CSP	Transportation and Warehousing	INR	0.1
MAS			3.4
Lao Forestry	Agriculture and Forestry	MAS	3.4
Regional Advisory			1.9
Lao PDR Investment Climate Reform	Non-Sector Specific Advisory Services	REG	1.9
Total Lao People's Democratic Republic Advisory Portfolio			7.0

Annex 6 - MIGA's Guarantee Portfolio

Project name	Effective date	Expiration date	Investor	Sector	Gross Exposure (millions)
Nam Theun 2	06/14/2005	Expired in May 2022	BNP Paribas	Infrastructure	NA
Total					NA

Annex 7 - List of main development partners and key engagement areas

Development Partner	Program size in Laos (\$ ml)	Key areas of focus	Co-financing with WB (Project/TF Name, USD co-financing amount, and areas or component supported)	Other areas of cooperation and complementarity with WB
USA USAID	86 (2020)	<ul style="list-style-type: none"> • Nutrition, trade and competitiveness, and digital. • Co-chair of illegal wildlife trafficking group. 	<ul style="list-style-type: none"> • Lao PDR Competitiveness and Trade Multi-Donor Trust Fund - \$3million. 	<ul style="list-style-type: none"> • USAID has expressed interest to cooperate on the economic corridor, trade facilitation and SME development.
Australia DFAT	39.3 (2021-2022 estimate)	<ul style="list-style-type: none"> • Strong partner – but bilateral funding, managed by DFAT, and ODA has been declining over the recent years. • Education as main focus area, particularly primary education. DFAT supports the largest education program in Lao PDR - Basic Education Quality and Access in Lao PDR (BEQUAL) (\$82 million). • Others - Trade and competitiveness, and health. 	<ul style="list-style-type: none"> • Lao PDR Competitiveness and Trade Multi-Donor Trust Fund - \$4 million - to simplify business regulations, facilitate trade, and improve firm-level competitiveness. • DFAT-WB partnership in the health sector supported through the recently closed Health Governance and Nutrition Development Project (HGNDP) which was co-financed by the Integrating Donor Funded Health Programs (IDFHD), financed by DFAT and Bill and Melinda Gates Foundation. 	<ul style="list-style-type: none"> • Dam safety - Australia, together with other DPs, has financed the International Advisors (IAs) that will support Ministry of Energy and Mines in undertaking the assess the dam safety reviews to be carried by the owners of the hydropower plants.
Team Europe (EU, Finland, France, Germany, Hungary, Ireland, Luxembourg, and Switzerland)	Over 600 (under the EU Joint Programming for Lao DPR 2021-2025)	<ul style="list-style-type: none"> • Large funding and one of Lao PDR's biggest development partner in terms of grant aid for development cooperation and humanitarian assistance, and important trade partners. • Areas of focus include public finance management, education, nutrition, governance, UXO decontamination, gender equality, climate change. • Co-chair of the nutrition working group with UNICEF. • Co-chair of the illegal wildlife trafficking group with USA. • Co-chair of education sector working group with DFAT. 	<ul style="list-style-type: none"> • Finance our PFM program - \$5.5 million through a TF, important for EU budget support program • EIB with EU grant, approved in September 2017, provide financing to new road sector program (€20 million loan from the EIB plus a €5 million EU grant) as complementary financing with WB's road sector project approved in December 2016. • 	<ul style="list-style-type: none"> • With WB-UN, the EU co-led the Post Disaster Needs Assessment for 2018 flooding

Development Partner	Program size in Laos (\$ ml)	Key areas of focus	Co-financing with WB (Project/TF Name, USD co-financing amount, and areas or component supported)	Other areas of cooperation and complementarity with WB
Germany		<ul style="list-style-type: none"> • Significant size of program • Large engagement in forestry and education sectors (mainly at vocational level). • Land - GIZ and KFW work closely with WB to support GOL to strengthen land registration system in Lao PDR. • Other areas of focus include rural development and sustainable economic development. 		<ul style="list-style-type: none"> • Co-chair with WB on Natural Resources Sector Working Group
France		<ul style="list-style-type: none"> • Pending agriculture project closely linked to supporting livelihoods on the Nakai Plateau (NT2 project area). 		
Japan AIIB JICA		<ul style="list-style-type: none"> • Focus areas include infrastructure, economic, education agriculture and health services. • Provided a total of \$1.47 million through two TFs (PHRD and JTF) to WB's Health Governance and Nutrition Development Project. 	<ul style="list-style-type: none"> • Co-finances of the Road 13 North (IDA\$40 million; AIIB \$40 million and NDF \$10 million) approved in May 2018. 	<ul style="list-style-type: none"> • Co-chair with WB and ADB on Infrastructure working group together with MPWT. • Provided International Advisor to support the Dam Safety Review.
Switzerland	34 (2020-2021)	<ul style="list-style-type: none"> • Areas of focus include governance and citizen participation, agriculture and food security, skills development and employment. 	<ul style="list-style-type: none"> • Co-finance the WB's Enhancing Systematic Land Registration Project – \$7.5 million 	
ADB	322.6 (2020-2022)	<ul style="list-style-type: none"> • WB-ADB Co-chair of Macro Sector Working Group together with Ministry of Planning and Investment. • Strong collaboration in health through the WB's Health Governance and Nutrition Development project and the ADB's Health System and Governance Development project. • Areas for further collaboration are nutrition, PFM, tourism, energy and agriculture. 	<ul style="list-style-type: none"> • Lao PDR is a pilot country under the Forest Improvement Program (WBG: \$16.6 million; ADB: \$13.4 million). 	

Annex 8 – The Lao PDR Country Gender Action Plan (C-GAP) FY22-26



Photo credit: World Bank

Executive Summary

- 1. Although gender gaps have continued to narrow in terms of endowments, economic opportunities and voice and agency, recent gender analysis conducted as part of the Lao PDR SCD has highlighted persistent gender inequalities that require sustained attention.**
 - i. Lao PDR has nearly achieved gender parity in primary school enrolment. However, the gender gap remains large for higher education and among the poorest. In particular, 42 percent of girls and 35 percent of boys are out of school at upper secondary school age, with the rates increasing to 76 percent of girls and 61 percent of boys for the poorest quintile. Ethnic minority girls are at a particular disadvantage, with education provided in the official Lao language creating an additional barrier to educational attainment.
 - ii. Over the past two decades, the Maternal Mortality Rate for Laos has declined from an estimated 905 per 100,000 live births to 185 per 100,000 live births in 2017. These rates nonetheless remain among the highest in South East Asia and continue to put women at risk, particularly in remote northern Provinces and among ethnic minority groups.
 - iii. Early marriage and adolescent fertility remain a persistent challenge. Thirty five percent of girls are married before their 18th birthday and 9 percent are married before the age of 15. Adolescent birth rates at 64 per 1,000 and child marriage rates were the highest in ASEAN in 2019 and among some of the highest in the world. Early marriages and pregnancy raise the risks for maternal health, including maternal mortality, and child stunting, which are heightened in rural areas where access to health services may be limited. High adolescent fertility rates are strongly associated with little or no education and are particularly high among some ethnic minority groups, going up to 192 per 1,000 among adolescents from Hmong-lumien communities. Importantly, progress in reducing adolescent birth rates was slow between 2012 and 2017 with progress reversed for some groups.⁴
 - iv. Female labor-force participation dropped by 15.8 percentage points from 81.8 percent in 2012 to 66 percent in 2018, in part consistent with a trajectory often associated with countries moving up the income ladder.⁵ A gender earnings gap that was not present in 2012 also emerged in 2018. In the private sector, women received on average 10 percent less pay than similarly qualified men employed in similar occupations and locations. Women tend to be trapped in low-quality jobs. Around 86 percent of working women in Lao PDR are self-employed, compared with the ASEAN average of 46 percent. Most of them are employed in agriculture or unpaid care work: women's share of unpaid care work is four times that of their partners.⁶
 - v. Women's agency has steadily advanced in Lao PDR. The equal rights and participation of women and men in economic, social and political life is supported by the Constitution, various national laws and policies, and

international treaties. The representation of women in government is improving yet remains largely unequal, in particular at the local level. While Lao PDR has amongst the higher proportion of women in national parliaments, their participation at district and village levels remains very low (Lao Women's Union, 2018).

2. The Lao PDR Country Gender Action Plan (C-GAP) for the FY22-26 period is formulated in line with three new Laos Country Partnership Framework (CPF) high-level outcomes and focus areas: (i) Purchasing power and access to public services protected from macroeconomic instability and fiscal pressure on social spendings; (ii) Improved labor incomes of vulnerable households; and (iii) Sustainable livelihoods through better management of natural resources. The instrument is intended **to facilitate the dialogue between WB and the government to address gender-related priorities**, in line with the goals set in the 4th *National Plan on Promoting Gender Equality (2021-2025)* and the 9th *National Socio-Economic Development Plan (NSED) 2021-2025*. In addition, the focus areas defined in the C-GAP take into account the gender analytics conducted as part of the SCD and the focus areas of the CPF. The C-GAP focuses on addressing gender gaps in four key areas taking into the account current operations and planned areas of engagement in the upcoming CPF period: (i) early marriage, adolescent pregnancy and high maternal mortality rate; (ii) skills gap between women and men with a focus on technical and vocational education; (iii) equal opportunities for men and women to participate in livelihood activities and wage jobs; and (iv) participation of women in planning and decision making at the local level.

3. The C-GAP will support the engagement on gender equality in Lao PDR through the following three pillars:

- i. **Just in time technical support to a selected number of operations in key sectors.** This will include: (i) support for gender assessments; (ii) advice on the inclusion of innovative approaches to promoting gender equality at PCN stage and during project preparation; and (iii) review and provide support to teams on the gender tag classifications by the Gender Group. This review will be undertaken by the Country Gender Focal point with the support of Sector/GP Gender Specialists. Just in time technical assistance will draw on available impact evaluation data and other rigorous assessments to support teams with relevant evidence of what works in their particular sectors. The C-GAP will aim to maintain a gender tagging target of 80 percent.⁷¹
- ii. **Internal and external capacity building and knowledge sharing:** This will focus on equipping the WB team and Government of Laos counterparts in key sectors to better address challenges to gender equality and include developing guidance notes, targeted training and knowledge sharing sessions building on up-to-date information on rigorously evaluated interventions.
- iii. **Addressing relevant knowledge gaps on key country-level challenges to gender equality in sectors where there is relevant operational engagement or entry points in Lao PDR.** At the time of preparation of the C-GAP knowledge gaps in the following key areas have been identified: (i) Adolescent fertility and early marriage and (ii) women's economic empowerment and agency -including in the context of COVID relief and recovery. This pillar will be closely aligned with the operational engagement at portfolio level to strengthen the analytical basis to inform policies and operations. This can be achieved by developing targeted issues briefs or relevant policy papers..

4. Based on the priority sectors and interventions for the upcoming CPF period the C-GAP as laid out a set of specific targets considering current operational entry points. These are outlined in Section V of the document. The approach outlined in the C-GAP is in line with the East Asia and the Pacific (EAP) Region Regional Gender Action Plan (R-GAP)-

⁷¹ Targets for country gender tagging will be reviewed and updated annually.

2017-2023⁷² and with the 2015-2023 WBG Gender strategy. **The preparation of the C-GAP has been aligned with the Systematic Country Diagnosis (SCD) and Country Partnership Framework (CPF) preparation.** An analysis of critical gender-gaps was undertaken as part of the SCD process. It focused on understanding the evolution of key gender disparities over the FY17-21 period and identifying the main issues of relevance for the Lao PDR portfolio and country engagement.

I. Objective

5. The objective of the Lao PDR C-GAP is to summarize priority gender issues in the Lao PDR context. It identifies key gender issues and their alignment with Government priorities. It also lays out entry points through which the WBG country program can support Government to advance gender equality goals. The plan is intended to be a management and monitoring tool and allow the country team to track commitments and progress and to make adjustments and take corrective action as needed.

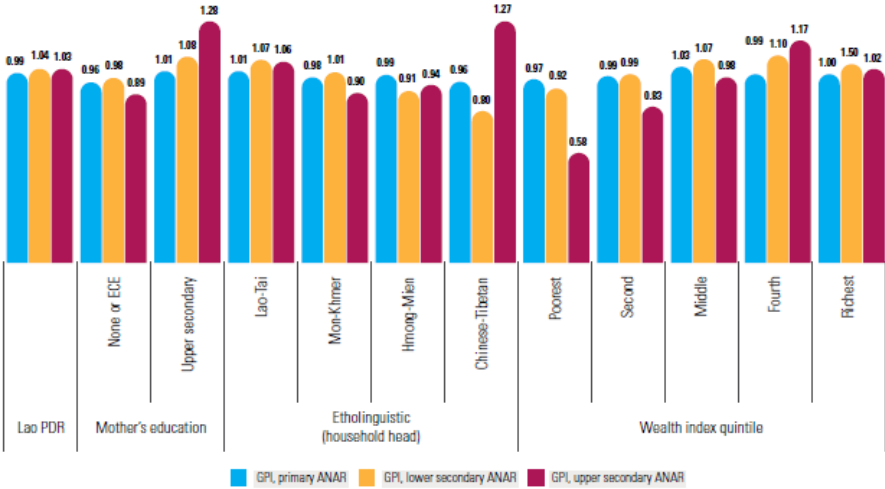
II. Key Gender Issues in Lao PDR

6. The recently completed Systematic Country Diagnosis for Lao PDR clearly outlines a number of persistent gender gaps. An overview of the available data is presented below, using the 2012 Gender World Development Report (Gender Equality and Development) conceptual framework which focuses on: (i) Endowments with a focus on productive assets; (ii) Economic opportunities; and (iii) Voice and Agency.

Endowments

7. Lao PDR has nearly achieved gender parity in primary school enrolment. However, the gender gap remains large for higher education and among the poorest. In particular, 42 percent of girls and 35 percent of boys are out of school at upper secondary school age, with the rates increasing to 76 percent of girls and 61 percent of boys for the poorest quintile (UNICEF, 2019). Ethnic minority girls are at a particular disadvantage with education provided in the official Lao language creating an additional barrier to educational attainment.⁷³ Girls in ethnic minority groups are also more likely to drop out of school due to early marriage. In terms of general trends, despite remarkable progress in education over the past few decades, school enrolment has declined in recent years. The net primary and secondary enrolment rates slightly declined between 2017 and 2019.⁷⁴

Figure 5-10. Gender differences in school attendance



Source: LSIS, 2017

⁷² The East Asia and the Pacific (EAP) Region Regional Gender Action Plan (R-GAP)- 2017-2023 highlights the importance of taking a country-led approach to addressing gender disparities in EAP. The R-GAP underscores the need to understand variation in terms of gender outcomes within countries. It focuses on five key priorities: (i) improving maternal health; (ii) empowering women in the workplace; (iii) removing barriers to productivity for women entrepreneurs and farmers; (iv) reducing trade-offs between women’s household and market roles; and (v) reducing gender-based violence.

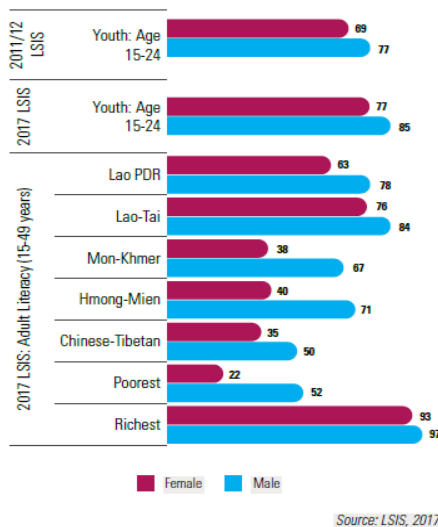
⁷³ UNICEF, 2019

⁷⁴ Primarily school enrolment declined from 92.5 percent to 91.5 percent between 2017 and 2019, while the net secondary enrolment rate fell from 70.9 percent to 65.6 percent during the same period.

The overall status of Early Childhood Education (ECE) slightly improved during the same period⁷⁵. Early childhood education and development has dual benefits on children’s human capital and mothers’ work participation. Gender-sensitive design of these interventions are key as they can help maximize gains of ECED interventions on both fronts.

8. A significant gender gap remains in Technical and Vocational Education (TVET) as well. At 45 percent of the TVET student population, women are under-represented, and their preferred program choice (services) demonstrates gender bias (UNESCO, 2020). Women continue to be rarely represented in other technical fields such as electronics or IT.⁷⁶

Figure 5-15. Youth and adult literacy rates



Source: LSIS, 2017

9. Finally, significant gender inequities persist in terms of adult literacy rates. The gender gap is particularly pronounced among the poorest, ethnic minorities and older cohorts. The LSIS data indicates an improvement in literacy rates for both young men and young women. Nevertheless, the gender gap has not changed significantly.⁷⁷ (UNICEF 2019).

10. Over the past two decades, the Maternal Mortality Rate (MMR) for Laos has declined from an estimated 905 per 100,000 live births to 185 per 100,000 live births in 2017. These rates remain one of the highest in South East Asia and continue to put women at risk particularly in remote northern Provinces and among ethnic minority groups. Antenatal Care (ANC) coverage for pregnant women has increased significantly from 54 per cent in 2012 to 78 per cent in 2017. Coverage remains low for the poorest quintiles (52 per cent for the poorest quintile compared to 97 per cent for the richest). Inaccessibility, irregular services, fund shortage, poor facilities, cultural norms and beliefs, language barriers and problems dealing with male health service providers remain important barriers to access.⁷⁸

11. Early marriage and adolescent fertility remain a persistent challenge. Thirty five percent of girls are married before their 18th birthday and 9 percent are married before the age of 15. Adolescent birth rates at 64 per 1,000 and child marriage rates were the highest in ASEAN in 2019 and among some of the highest in the world. Early marriages and pregnancy raise the risks for maternal health, including maternal mortality, and child stunting, which are heightened in rural areas where access to health services may be limited. Adolescent birth rates are highly variable across provinces (26 per 1,000 in Vientiane Capital compared to 138 per 1,000 in Xaysomboune in 2017). High adolescent fertility rates are strongly associated with little, or no education (176 per 1,000) compared to those who completed secondary education (8 per 1,000) in 2017. Similarly, rates were particularly high among some ethnic minority groups, going up to 192 per 1,000 among adolescents from Hmong-lu-Mien communities (2017). Importantly, progress in reducing adolescent birth rates has been slow between 2012 and 2017 with progress reversed for some groups (UNICEF, 2019).

Economic Opportunities

12. Female Labor-Force Participation (LFP) is significantly lower than male LFP dropped by 15.8 percentage points from 81.8 percent in 2012 to 66 percent in 2018.⁷⁹ A gender earnings gap that was not present in 2012 also emerged in

⁷⁵ Gross enrolment ratio in ECE increased from 23 to 25.5 percent between 2017 and 2019.

⁷⁷ GPI 0.90 in 2017 and and GPI 0.89 in 2011/12. Women’s role as caregivers significantly hampers their LFP.

⁷⁸Do Kim Ngang et all (2016) Asia Pacific Journal of Public Health, Back to Basics” Approach for Improving Maternal Health Care Services Utilization in Lao PDR

⁷⁹ Compared to a 9-percentage point decline in male labor force participation, from 87.4 percent to 78.4 percent during the same period of time.

2018. In the private sector, women received on average 10 percent less pay than similarly qualified men employed in similar occupations and locations. In Lao PDR, the chances of young people finding non-farm jobs are 10 percentage points lower than those of adults between ages 25 and 55. Women tend to be trapped in low-quality jobs. Around 86 percent of working women in Lao PDR are self-employed, compared with the ASEAN average of 46 percent. Most of them are employed in agriculture or unpaid care work: women’s share of unpaid care work is 4 times that of their partners (OECD, 2021). Self-employment will remain an important pathway to increase Female-Labor Force participation during the CFP period as outlined in C-GAP Annex I below.

- 13. Importantly, the COVID-19 pandemic and lock downs have had a disproportionate impact on women⁸⁰.** The latest round of WB COVID-19 monitoring surveys indicated severe employment disruptions. The share of employed women halved from 78 percent before the lockdown to 39 percent during the lockdown period. Men faced a smaller decline, from 87 percent to 55 percent. This is due to a disproportionate share of female employment in the hardest-hit sectors: wholesale and retail trade and other services together accounted for two-thirds of female non-farm employment (Lao Economic Monitor) (World Bank Laos Economic Monitor, August 2021).
- 14. At 70 percent the share of female employment in agriculture relative to total female employment is particularly high in Laos PDR when compared to other South East Asian countries (45 percent in Myanmar and 41 percent in Vietnam).⁸¹** Women’s role in agriculture is significant but remains undervalued. For women in asset-poor households the commercialization of agriculture can also increase vulnerability. Shifting from subsistence-based to market-oriented agricultural activities can be particularly difficult for women in ethnic minority groups with limited language and technical skills to engage with the market. Women are often penalized by the fact that their business partners and customers often prefer to deal with men⁸². Similarly, as land-based investment (for agribusiness, infrastructure, hydropower and mining for example) has continued to increase, disruptions in local livelihoods often disproportionately affect women’s livelihoods as they tend to rely on common resources (land and water). Women generally own less land for which to get compensation (World Bank, Laos Gender Assessment 2012). Cultural practices still require that men primarily inherit and own land in such a way that women’s access to land remains dependent on male relatives (FAO, 2018). The entry points outlined in C-GAP Annex I below take into account the importance of building the resilience of women farmers to shocks – including through the adaptation of new technologies.
- 15. Women increasingly run their own businesses. Overall, Lao PDR performed better than the rest of the East Asia and Pacific region for key gender indicators on female owned firms, with a higher percentage of firms with female top managers, majority female ownership, and full-time female workers than other countries in the region.** Women-owned firms have different concerns than male owned enterprises. Female-owned firms were more concerned with tax rates and with access to land in particular. The latter was considered a constraint 23 percent of women-owned firms compared to only 16 percent for non-female-owned firms (World Bank, 2018). Female owned businesses tend to be smaller than those owned by men with women also reporting greater difficulty in finding access to finance and technical skills (World Bank, 2012). Research in South East Asia suggests that lending officers may be less willing to provide women with financial services (OECD, 2021).

Voice and Agency

- 16. Women’s agency has steadily advanced in Lao PDR.** The equal rights and participation of women and men in economic, social and political life is supported by the Constitution, various national laws and policies, and international treaties such as the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). Importantly, however, in 2019, women’s land rights were weakened by a new Land Law that no longer requires dual names (i.e., those of a husband and wife) on land titles (as originally required by Article 43 of the 2003 Land Law), representing a serious setback for securing land rights for women.

⁸⁰ The majority of returning migrants to Laos are female.

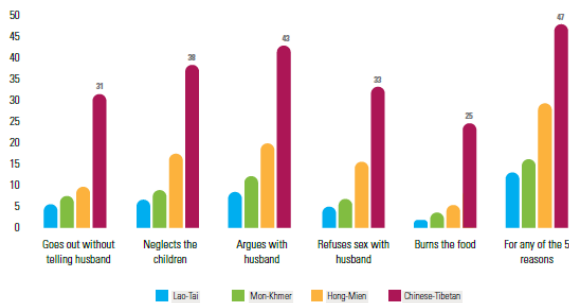
⁸¹ OECD, 2021

⁸² Asian Development Bank and The Asia Foundation, 2018

17. The representation of women in government is improving yet remains largely unequal, in particular at the local level. While Lao PDR has amongst the higher proportion of women in national parliaments, their participation at district and village levels remains very low (Lao Women’s Union, 2018). In 2021, Lao PDR had the first female Vice President in its history. The share of women in the civil service reached 46 percent in 2018. Women mainly work for the Ministry of Public Health (65 percent of its employees are women) as well as for the Ministry of Education and Sports (51 percent). Taken together, these ministries make up about half of all civil servant positions for women, suggesting large inequalities in other areas.

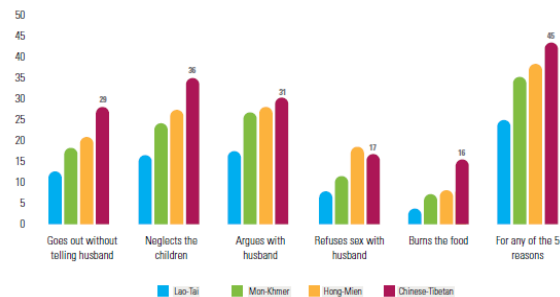
18. There is limited recent information available in Laos on the prevalence of Intimate Partner Violence (IPV). The latest available data (from 2015⁸³) indicates that the prevalence of life-time physical IPV is 11.6 percent with the prevalence of sexual IPV at 7.2 percent.⁸⁴ Significantly, 34.8 percent of women reported experiencing controlling behaviors by their partners, with 6.8 percent reporting economic abuse. More recent data on attitudes towards IPV was collected through the 2017 LSIS. Overall 30 percent of women and 16 percent of men found wife-beating acceptable. There are, however, important disparities across different ethnic groups with Sino-Tibetan men and women overall more likely to indicate acceptability of IPV (47 percent for men and 45 percent for women).

Figure 6-4. Men's attitudes towards men beating their wives



Source: LSIS, 2017

Figure 6-5. Women's attitudes towards men beating their wives



Source: LSIS, 2017

19. Regional integration and cross-border movement are believed to have led to an increased risk of human trafficking for rural women and girls in Laos. There were 6.8 million intra-ASEAN migrants in 2015, according to the International Labour Organization (ILO, 2015). The Lao PDR -Thailand is one of the main regional migration corridors (together with Myanmar-Thailand, Cambodia-Thailand, Indonesia-Malaysia, and Malaysia-Singapore). A combination of land tenure insecurity, lack of employment and livelihood opportunities (with additional pressures brought about by climate change) and increased investment by foreign-operated agribusinesses are believed to be important risk factors, particularly for women and girls in the Northern Provinces (FAO, 2018).

IV. Government Priorities in addressing gender disparities

20. The 9th National Socio Economic and Development Plan (NSECD) is in line with the Party’s Development Strategy 2025 and Vision 2030 and focuses on: (i) creativity; (ii) human resource development; (iii) improving administrative and regulatory mechanisms; and; (iv) poverty alleviation. The NSEDP identifies six priority outcomes: (i) Continuous quality, stable and sustainable economic growth; (ii) Improved quality of human resources to meet development, research capacity, science and technology needs, and create value-added production and services; (iii) Enhanced well-being of the people; (iv) Enhanced environmental protection and reduced disaster risks; (v) Engagement in regional and international cooperation and integration through robust infrastructure and effective utilization of national

⁸³ National Commission for the Advancement of Women, *Lao PDR Violence Against Women Prevalence Study*

⁸⁴ This is below the regional average for the East Asia and Pacific Region where prevalence of IPV is at 30 percent (WHO, 2013)

potentials and geographical advantages; and (vi) Improved public governance and administration, and an equal, fair society protected by effective rule of law.

- 21. The NSEDP focuses on gender equality in terms of endowments focusing on equal access to health and education under its Outcome Two (Human Resource Development). In addition, the NSEDP highlights gender equality as part of its Outcome Four (Priority Cross-Cutting Outputs) and sets specific targets for women's social and economic empowerment.** The targets and areas of focus on gender in the 9th NSEDP are in line with the newly approved 4th National Action Plan on Gender Equality (2021-2025) and newly approved law on gender equality as highlighted below.

- 22. Importantly, Government has also recently approved the 2nd National Plan on Combating Violence Against Women and Children - 2021-2025** The plan is aligned with international instruments on focuses on three main objectives: (i) Changing attitude and behaviors that support the use of violence against women and girls (ii) provision of an essential package of services to survivors of GBV and (iii) improving the management, coordination, evaluation and reporting of the services provided to survivors of violence.

- 23. The institutional mechanisms to promote gender equality and implement key targets in the 9th NSEDP have not changed from those in place in the previous CPF period.** The National Commission for the Advancement of Women continues to play a key role in the following aspects: (i) data collection and compilation, sex segregated statistics, (ii) advocacy and awareness raising, (ii) institutional strengthening and staff training to promote women's advancement, (iii) fulfilment of Lao PDR's obligations under the CEDAW and other international conventions pertaining to women. The Lao Women's Union continues to play a key role particularly in terms of promoting women's participation in local decision making.

National Socio Economic and Development Plan (2021-2025) – Selected targets on Gender Equality

General

- Increase the Gender Equality Index from 0.927 in 2019 to 0.984 in 2025

Endowments

- Reduce the maternal mortality rate to 110/100,000 live births
- Increase the number of births attended by skilled health personnel to 85% of the target population
- Gender parity index for transition rate from grade 5 to Year 1 of lower secondary education to reach 0.97-1.03
- Encourage women to receive vocational and technical training (agricultural production, farming, animal husbandry, handicrafts, financial services, business management, banking, taxation, laws and business regulations)

Economic Opportunities

- Research and formulate policies on access to finance and women's entrepreneurship to contribute to socio-economic development
- Ensure the participation and women in urban development plans to create better employment opportunities

Voice and Agency

Gender Based Violence

- Reduce the rate of women being abused by their intimate partner (physical, sexual or psychological violence), from 30.3% to 15%
- Increased access to legal, health and social services for female victims of violence from 2% to 20%
- The proportion of women who have experienced domestic violence in their lifetime to be reduced from 15.3% to 6%
- 50% of district and provincial women's unions receive capacity building on counselling for women and children; and women and children at risk and victims are protected by the law and have greater access to justice, and child marriage is prevented and reduced
- Early marriage among adolescents under 15-19 years of age, for girls to be reduced from 23.5% to 20%, and for boys to be reduced from 5.9% to 3%

Participation in governance institutions and collective action

- Promote and create conditions for women to take up leadership and management positions at various levels, reach an average of 20%:
 - i. Women to account for 30% or more of members of the National Assembly and Provincial People's Assembly and at central level.
 - ii. Women to account for 20% or more in leadership positions at the provincial and Vientiane Capital level as well as at district level.
 - iii. Women to account for 10% or more in leadership positions at the village level.
- Expand the organization and membership of the Women's Unions in the business sector (business units with women accounting for 50% or more) to reach 20%.

V. Priority Areas for WBG Engagement under the Lao PDR C-GAP (FY22-25)

- 24. Based on findings from the SCD, the CPF sets out the core framework for engagement by the World Bank Group including the International Finance Corporation (IFC) during FY17-21.** The SCD has highlighting the following three key challenges: (i) increasing macroeconomic instability; (ii) jobless growth with rising inequality; and (iii) growing vulnerability to climate change, environmental degradation, and shocks (e.g. the economic and health impacts of COVID-19). The SCD further confirmed that governance challenges remains persistent and in line with those identified in the previous CPF period.
- 25. As highlighted above, the focus areas defined in the C-GAP take into account the gender analytics conducted as part of the SCD and the focus areas of the CPF. The C-GAP focuses on addressing gender gaps in four key areas taking into the account current operations and planned areas of engagement in the upcoming CPF period:** (i) early marriage, adolescent pregnancy and high maternal mortality rate; (ii) skills gap between women and men with a focus on technical and vocational education; (iii) equal opportunities for men and women to participate in livelihood activities and wage jobs; and (iv) participation of women in planning and decision making at the local level. These are consistent with the areas flagged in the previous CPF period and indicate persistent gender disparities.
- 26. The C-GAP will support the engagement on gender equality in Lao PDR through the following three pillars:**
- i. **Just in time technical support to a selected number of operations in key sectors.** This will include: (i) support for gender assessments; (ii) advice for the inclusion of innovative approaches to promoting gender equality at PCN stage and during project preparation; and (iii) review and provide support to teams on the gender tag classifications by the Gender Group. This review will be undertaken by the Country Gender Focal point with the support of Sector/GP Gender Specialists. Just in time technical assistance will draw on available impact evaluation data to support teams with relevant evidence of what works in their particular sectors. The C-GAP will aim to maintain a gender tagging target of 80 percent.⁸⁵
 - ii. **Internal and external capacity building and knowledge sharing:** This will focus on equipping World Bank Task Teams and Government of Laos counterparts in key sectors to better address challenges to gender equality and include developing guidance notes, targeted training and knowledge sharing sessions building on up-to-date information on rigorously evaluated interventions.
 - iii. **Addressing relevant knowledge gaps on key country- level challenges to gender equality in sectors where there is relevant operational engagement or entry points in Lao PDR.** At the time of preparation of the C-GAP knowledge gaps in the following key areas have been identified: (i) Adolescent fertility and early marriage and (ii) women’s economic empowerment and agency -including in the context of COVID relief and recovery. This pillar will be closely aligned with the operational engagement at portfolio level to strengthen the analytical basis to inform policies and operations. This can be achieved by developing targeted issues briefs or relevant
- 27. The Laos PDR C-GAP will focus on ensuring that at least 80 percent of all operations during the new CPF period effectively address gender gaps** in terms of: (i) analysis, (ii) concrete actions to address specific gender disparities identified through this analysis; and (iii) monitoring the implementation of these activities through specific results indicators. This will be done through the gender tagging process with support provided to each operation through just in time technical assistance by the Country Gender Focal Point, Sector Gender Focal points and additional support by expert consultants as needed.
- 28. In addition, the Laos Country team has identified six specific operational and analytical entry points where the portfolio and policy engagement with the Government of Laos can have a significant impact to address key gender**

⁸⁵ Targets for country gender tagging will be reviewed and updated annually.

disparities identified through the SCD process. G-GAP resources would be programmed annually to provide dedicated support to these interventions to support the inclusion of innovative approaches in these operations and through dedicated analytical pieces. Following the CPF principle of simplicity and selectivity the C-GAP has focuses on a reduced number of entry points to maximize the use of available resources and for greater impact in selected/critical issues. The main issues are summarized below with additional details provided in Annex I.

Endowments

- i. **Addressing gender gaps in secondary education** with a focus on the enrolment of ethnic minority girls though the current **Learning and Equity Acceleration Project and upcoming Modernizing Human Resources Management in Education for Better Outcomes (FY26)** and during the implementation of the **Lao PDR Priority Skills for Growth project**.
- ii. **Continue to address high Maternal Mortality Rates** through the Health and Nutrition Services Access Project (HANSA) and upcoming **Additional Financing to HANSA (FY24)**.

Economic Opportunities

- iii. **Contribute to addressing the challenge of adolescent fertility and early marriage in coordination with key UN Agencies (UNFPA) and bi-lateral Development Partners** through: (i) operationally relevant analytics to be completed in **FY23**; (ii) provision of reproductive health services for adolescents and at-risk groups through the HANSA Additional Financing (**FY24**); and (iii) increased focus on livelihood opportunities for young women in Ethnic Minority Communities through the Community Livelihoods Enhancement and Resilience Project (CLEAR) follow on operation (**FY24**).
- iv. **Contribute to improving the knowledge base on barriers to women’s labor force participation in Laos through:** (a) **initial stock-taking diagnostic in FY22** focusing on measuring the size of the gender gaps in selected economic outcomes in agriculture, entrepreneurship, wage employment, and labor force participation with a focus on young women in ethnic minority groups; and (b) **the Statistical Modernization Project (FY23)** building capacity of Government of Laos to collect, analyze and disseminate sex-disaggregated data focusing on key gender disparities in employment and economic participation (FY23 onwards). Following the initial diagnostic work, additional targeted analytical pieces could be undertaken in partnership with the Gender Innovation Lab⁸⁶ to zoom in on specific barriers and help develop operational recommendations.

Voice and Agency

- v. **Strengthen women’s voice and agency in local government through the Poverty Reduction Fund (PRF) platform –** The 9th NSEDP’s target on female leadership at village level creates opportunities to further build the capacity of women leaders at village level to be meaningfully engaged in local decision-making. The follow-on PRF operation (CLEAR) can support these efforts by building investing in grass-roots leadership and gender equality training for women leaders at *kum ban* level.
- vi. **Contribute to the knowledge base on Gender-Based Violence (GBV) risk in Laos PDR and ensure up to date information is available on service provision for survivors of GBV** to support WBG risk mitigation efforts linked to Investment Project Financing (IPF). This would be done through further analysis of data on GBV in the COVID 19 High frequency surveys (FY23) and by periodically updating the current mapping of available GBV service providers (last updated in FY20). Updates of service mapping would be done in FY23 and FY25.

⁸⁶ The EAP Gender Innovation Lab has been established within EEAPV to develop rigorous evidence and help fill knowledge gaps for closing gender gaps in economic opportunities in the East Asia and Pacific region.

C-GAP Annex I - Selected areas of focus for operational and policy engagement: addressing persistent gender gaps in Lao PDR

	Current Operational Entry Points	Operation entry points under the new CPF Period	Knowledge gaps	Areas of focus – Gender Equality
Endowments				
Education	Lao PDR Global Partnership for Education III: Learning and Equity Acceleration Project	Lao PDR Priority Skills for Growth Modernizing Human Resources Management in Education and Health for better outcomes	Understanding gender bias among teachers	<p><u>Key gender gaps</u></p> <ul style="list-style-type: none"> • 42 percent of girls and 35 percent of boys are out of school at upper secondary school age, with the rates increasing to 76 percent of girls and 61 percent of boys for the poorest quintile (UNICEF, 2019). Ethnic minority girls are at a particular disadvantage with education provided in the official Lao language creating an additional barrier to educational attainment. • Significant gender gap remains in Technical and Vocational Education (TVET) as well. At 43 percent of the TVET student population, women are under-represented, and their preferred program choice (services) demonstrates gender bias. Women continue to be rarely represented in other technical fields such as electronics or IT.⁸⁷ <p><u>Policy pathway to close the gender gap in secondary education:</u> Physical access to school^[1], an understanding among parents of the value of girls' education and the high opportunity costs of sending girls to school (particularly in terms of their</p>

^[1] 30 to 40 per cent of those who leave do not have a school offering grade 4 or grade 5 in their village (UNICEF, 2019)

	Current Operational Entry Points	Operation entry points under the new CPF Period	Knowledge gaps	Areas of focus – Gender Equality
Education (continued)	Lao PDR Global Partnership for Education III: Learning and Equity Acceleration Project	Modernizing Human Resources Management in Education and Health for better outcomes		<p>contribution to household chores and economic activities) remain important bottlenecks to girls' enrolment and retention. This is particularly relevant among poorer communities and specific ethnic minority groups. In addition, drop-out is also associated with poor performance in school suggesting a link between education quality and early leaving. The Government's Education and Sports Sector Development Plan (2021-2025) includes a focus on gender equity in education. Gender and Inclusion analysis in the education sector have highlighted gender bias in the classroom as an important contributing factor to the existing gender gap in education. This includes less opportunities provided to girls to be able to participate and potentially affecting self-confidence and learning outcomes. An important entry-point to address gender gaps in education will be to improve the quality of education and addressing gender bias among teachers through: (i) systematic teacher training and coaching, and (ii) the introduction of a specific focus on monitoring gender biases and stereotypes in school information systems. In addition, the establishment and roll-out of community and parent outreach interventions focusing on gender equality and using schools as entry points can play an important role in raising awareness of the value of girls' education in particular.</p>

	Current Operational Entry Points	Operation entry points under the new CPF Period	Knowledge gaps	Areas of focus – Gender Equality
				<p>Current indicators being tracked</p> <p>Number of students who have completed updated/new courses in priority sectors in targeted TVET institutes [disaggregated by gender and ethnicity] Baseline [2020]: 3,502 Target [2025]: 8,000 Source: P172774 Priority Skills for Growth</p> <p>Share of trainees that get employment within 6 months after completing training Baseline [2022]: 0 Target [2027]: 35 Baseline female [2022]: 0 Target female [2027]: 40</p>
Health and Nutrition	Health and Nutrition Services Access Project	Health and Nutrition Services Access Project (HANSA) - Additional Financing	Ongoing analytics on early marriage and adolescent fertility under P174775 (MCL Gender Knowledge Product) – FY23 delivery	<p>Key gender gaps</p> <ul style="list-style-type: none"> • Over the past two decades, the Maternal Mortality Rate (MMR) for Laos has declined from an estimated 905 per 100,000 live births to 185 per 100,000 live births in 2017. These rates remain one of the highest in South East Asia and continue to put women at risk particularly in remote northern Provinces and among ethnic minority groups.

	Current Operational Entry Points	Operation entry points under the new CPF Period	Knowledge gaps	Areas of focus – Gender Equality
Health and Nutrition (continued)		Health and Nutrition Services Access Project (HANSA) - Additional Financing		<ul style="list-style-type: none"> • Early marriage and adolescent fertility remain a persistent challenge. Thirty five percent of girls are married before their 18th birthday and 9 percent are married before the age of 15. Adolescent birth rates at 64 per 1,000 and child marriage rates were the highest in ASEAN in 2019 and among some of the highest in the world. Early marriages and pregnancy raise the risks for maternal health, including maternal mortality, and child stunting, which are heightened in rural areas where access to health services may be limited. <p><u>Policy pathway to close the gender gap on MMR:</u> This will require addressing quality issues (through the HANSA operational engagement) and in particular investing in human resources and health infrastructure. Measures to promote qualified health professionals include improving pre-service and in-service training of health professionals; developing strategies for deployment and distribution of health personnel according to needs and for retention of skilled personnel in rural areas; and strengthening a regulatory framework for licensing health personnel.</p> <p><u>Policy pathway to address issues of adolescent fertility will require a set of multi-sectoral interventions looking at both health services, social norms and behaviors and livelihood interventions:</u> Available global evidence highlights the importance of</p>

	Current Operational Entry Points	Operation entry points under the new CPF Period	Knowledge gaps	Areas of focus – Gender Equality
				<p>addressing early marriage and adolescent fertility through a combination of approaches that can include: (i) age-appropriate sex education both in and out of school, addressing misinformation about reproductive health and contraception among adolescents, as well as gender norms; (ii) provision of adequate and adolescent-friendly sexual and reproductive health services and information at public health facilities; (iii) investments in programs addressing economic empowerment and livelihoods needs of adolescent girls to support a reduction in the rates of child marriage; and (iv) tailoring strategies and approaches to most vulnerable groups and progressively building the evidence base on what works. Importantly, successful programs have been able to anticipate resistance to specific interventions through formative research (including the provision of contraception to unmarried adolescents or the roll-out of sex education programs), and developed strategies to address it.</p> <p>Percentage of pregnant women who receive 4 Antenatal Care contacts in the twelve nutrition convergence districts (disaggregated by ethnicity) Source: P166165 HANSA Project</p> <p>Number of deliveries attended by a skilled birth attendant (disaggregated by ethnicity). Source: P166165 HANSA Project</p>

Economic opportunities				
Agriculture and Rural Development	Agriculture Competitiveness Project (Implementation support and monitoring)	Green Agriculture Competitiveness (Design and Implementation Support)	Diagnostic Report FY 23 delivery - P174775 (MCL Gender Knowledge Product). This will measure the size of the gender gaps in selected economic outcomes in agriculture, entrepreneurship, wage employment, and labor force participation with a focus on young women in ethnic minority groups. It will use available data from available nationally representative surveys and the High Frequency COVID monitoring surveys. More recent quantitative surveys from impact evaluations conducted Laos will also be used as relevant. Combining the analysis using these surveys will provide relevant and up-to-date information on the gaps in earnings and productivity between women and men engaged in farming, entrepreneurship,	Key gender gaps Female Labor-Force Participation (LFP) is significantly lower than male LFP dropped by 15.8 percentage points from 81.8 percent in 2012 to 66 percent in 2018.⁸⁸ A gender earnings gap that was not present in 2012 also emerged in 2018. Women tend to be trapped in low-quality jobs. Around 86 percent of working women in Lao PDR are self-employed, compared with the ASEAN average of 46 percent. Most of them are employed in agriculture or unpaid care work: women’s share of unpaid care work is 4 times that of their partners (OECD, 2021). The COVID-19 pandemic and lock downs have had a disproportionate impact on women⁸⁹. The latest round of WB COVID-19 monitoring surveys indicated severe employment disruptions. The share of employed women halved from 78 percent before the lockdown to 39 percent during the lockdown period. This is due to a disproportionate share of female employment in the hardest-hit sectors: wholesale and retail trade and other services together accounted for two-thirds of female non-farm employment (Lao Economic Monitor) (World Bank Laos Economic Monitor, August 2021). Women’s role in agriculture is significant but remains undervalued. For women in asset-poor households the commercialization of agriculture can also increase
	Poverty Reduction Fund III (Implementation support, monitoring and lessons-learned through the Implementation Completion Report)	Poverty Reduction follow-on operation (Design and Implementation Support)		

⁸⁸ Compared to a 9-percentage point decline in male labor force participation, from 87.4 percent to 78.4 percent during the same period of time.

⁸⁹ The majority of returning migrants to Laos are female.

			<p>and other labor market activities. The diagnostic study will present decomposition analysis of the gaps in earnings and productivity to uncover the main factors that are driving the gaps. The drivers of the gaps represent the most binding constraints to women's economic outcomes.</p>	<p>vulnerability. Shifting from subsistence-based to market-oriented agricultural activities can be particularly difficult for women in ethnic minority groups with limited language and technical skills to engage with the market.</p> <p><u>Current indicators being tracked</u></p> <p>Land titles or use certificates issued in name of women or jointly in Lao PDR (disaggregated by titles/certificates and ethnicity) (Percentage)</p> <p>Source: P169669 Enhancing Systematic Land Registration Project</p> <p>Farmers adopting improved agricultural technology (male/female)</p> <p>Source: P161473 Agriculture Competitiveness Project already</p>
Voice and Agency				
Rural Development and Local Governance	Poverty Reduction Fund III (Implementation support, monitoring and lessons-learned)	Poverty Reduction Fund III follow-on operation (Design and Implementation Support)	Knowledge gaps - Barriers to women's participation in local government with a focus on EM districts.	<u>Key gender gaps</u> The representation of women in government is improving yet remains largely unequal, in particular at the local level. While Lao PDR has amongst the higher proportion of women in national parliaments, their participation at district and village levels remains very low (Lao Women's Union, 2018). In 2021, Lao PDR

	through the Implementation Completion Report)			<p>elected the first female Vice President in its history. The share of women in the civil service reached 46 percent in 2018. Women mainly work for the Ministry of Public Health (65 percent of its employees are women) as well as for the Ministry of Education and Sports (51 percent). Taken together, these ministries make up about half of all civil servant positions for women, suggesting large inequalities in other areas.</p> <p><u>Policy pathway to close the gender gap:</u></p> <p>The 9th NSEDP, in line with the Party’s Development Strategy 2025 and Vision 2030 includes a focus on addressing gender inequality as part of its third outcome enhancing the well-being of the people. It acknowledges the low proportion of women in decision-making and leadership positions in central and local government levels and sets specific targets for women’s participation in government bodies: (i) at least 30 percent in leadership positions at the central level; (ii) at least 20 percent in leadership positions at the provincial, Vientiane and district levels; and (iii) at least 10 percent in leadership positions at the village level. The establishment of these targets provide an important entry point to strengthen women’s participation and voice in local government structures. Particularly, the entry point provided by the NSEDP at village level creates opportunities to further build the capacity of female leaders at village level to be meaningfully engaged in local decision-making. Building on the existing Poverty Reduction Fund platform at <i>kum ban</i> level investing in grass-roots leadership and gender equality training can positively impact the quality of women’s voice in local government.</p>
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				<p><u>Current indicators being tracked</u></p> <p>% of community infrastructure investments funded by PRF III that correspond to priorities expressed by women at village level</p> <p>Source: P157963 Poverty Reduction Fund (PRF) III</p>
Gender-Based Violence (GBV)	None	No specific operation – but relevant to inform risk mitigation measures across the portfolio on prevention of Sexual Exploitation Abuse and Harassment (SEA/H)	<p>FY23 – ongoing Analysis of data on GBV in the COVID 19 High frequency surveys and inclusion of an additional GBV module in the 4th and final round.</p> <p>Knowledge gaps – updated mapping of available GBV service providers to ensure up-to-date information is available to clients and task team. To be conducted in partnership with UNPFA.</p>	<p>There is limited recent information available in Laos on the prevalence of Intimate Partner Violence (IPV). The latest available data (from 2015⁹⁰) indicates that the prevalence of life-time physical IPV is 11.6 percent with the prevalence of sexual IPV at 7.2 percent. ⁹¹</p> <p>Significantly, 34.8 percent of women reported experiencing controlling behaviors by their partners, with 6.8 percent reporting economic abuse. More recent data on attitudes towards IPV was collected through the 2017 LSIS. Overall 29.5 percent of women and 16 percent of men found wife-beating acceptable. There are, however, important disparities across different ethnic groups with Chinese-Tibetan men and women overall more likely to indicate acceptability of IPV (47 percent for men and 45 percent for women).</p>
Data and gender statistics				
<p>The Statistical Modernization Project (FY23 delivery) will provide a critical entry point to build the capacity of Lao PDR to collect and analyze gender disaggregate data and to address key gaps in terms of data on gender. Specific areas of focus for data collection will be defined during project preparation. These are expected to cover female employment to population ratio and average labor income of employed women.</p>				

⁹⁰ National Commission for the Advancement of Women, *Lao PDR Violence Against Women Prevalence Study*

⁹¹ This is below the regional average for the East Asia and Pacific Region where prevalence of IPV is at 30 percent (WHO, 2013)

COUNTRY MAP

IBRD 33431R2



OCTOBER 2014