

**Lao PDR Systematic Country Diagnostic – Summary of discussions
Consultation workshop with Central Government, 23 February 2016**

The World Bank Group (WBG) met with 62 representatives of the Central Government in Vientiane on February 23rd, 2016 to exchange views and perceptions on Lao PDR’s development opportunities and pressing challenges. The discussions focused on three guiding questions:

- What are the key challenges for Lao PDR to address in the next 4 years?
- What are the main development opportunities for Lao PDR in the next 4 years?
- Are the development pathways presented earlier realistic and achievable in the next 4 years? What policies, reforms and investments will be most important?

Main sectors of concern: (i) Education and skills; (ii) Agriculture and Rural Development; (iii) Infrastructure and Energy; (iv) Institutions and Governance.

Comments from Stakeholders
<p>Education and skills:</p> <ul style="list-style-type: none"> - Need to develop skills. Today lack of manpower – human resource development should be a priority for the development of Lao PDR. Not only in public sectors but in all economy. - Need to increase quality of education and it should be more adapted to labor market needs. We train people to become leaders (ex: many PhDs) but not subordinates (need more vocational training) – people cannot find jobs. - Develop teachers’ skills – teachers’ training is also essential to increase quality of education.
<p>Agriculture and rural development:</p> <ul style="list-style-type: none"> - Very low productivity in agriculture in Lao PDR - Need to increase income generation, more agriculture development and productivity projects, like infrastructure and irrigation. - Transfer of working population from agriculture to manufacturing and services sectors. If we want to protect forest coverage, we need to reduce people working in agriculture. - Forest coverage: target is 70 %, now we are at 47%, so fall short. If only 30% of arable land, how do we increase productivity without increasing cultivated land? - Lack of knowhow of agriculture workers – example lack of extension workers to train people. - Land reform is important
<p>Infrastructure and Energy:</p> <ul style="list-style-type: none"> - Hydro and mining = engine for revenue collection and GDP growth. But contribute also to rural development and employment - so to poverty reduction. - Electricity projects can help to generate incomes – most projects in rural areas. Also export of electricity is a great opportunity. Export more? - Human resources are a challenge in energy and mining. Ex: all dams will belong to GoL in a few years and capacity is not there yet to manage these big projects, now only 30% of staff is Lao. - Incomes from mega projects should be re-distributed and used for the development of the country. How to appropriately allocate budget and revenues?

Comments from Stakeholders

- Hydro-projects: nearby villages are still poor – How to better allocate budget?
- Access to roads is essential to reduce poverty (ex: increase access to markets) – also focus on road maintenance, not only building new roads.

Institutions and governance:

- High bureaucracy and slow approval of projects. Get rid of red tape procedures and increase ownership of public servants.
- Need to increase coordination and collaboration between different ministries. For example, in the education sector between Ministry of Education and Ministry of Labor.
- Public servants need to be the bridge between the working population and the businesses/ private sector.
- Good governance is important for poverty reduction: Development of Rule of Law, Increase people participation, Sound financial management, and Public service improvement. Example: better schools and education is related to public service improvement.
- Transparency and corruption are big challenges. Need to address these issues in order to increase private investments.
- Management of macro-economy: need to deal in future with debt and deficit.

Jobs:

- Challenge: today not able to provide jobs for all young population.
- Lack of labor in many sectors – high migration to neighboring countries. Need to attract back workers in Lao PDR. Interest free loans to support SME creation, vocational training?
- Maintain price and currency stability. We reduced interest rates in 2015 to reduce cost of credit for firms, also provide better access to financing for businesses – can create more jobs for citizens.
- Improve the business environment is crucial to increase job creation, particularly by SMEs.
- Informal economy is high, need to look at labor protection in informal sector, not only formal.

Natural resources:

- Need to reduce the use of / find sustainable way to use natural resources. Focus on environment preservation, especially forest and biodiversity. Limit logging activities and too much fishing .
- Water management is a big issue – need to improve it. Also need availability of clean drinking water. By 2020, 70% of population should have access to clean water.

Regional integration:

- Laos is a landlocked country but a lot of opportunities with a big regional markets available. The country has everything but needs to release it.

Social protection:

- Need more assistance to draft national strategy on social protection and safety nets.