

**Lao PDR Systematic Country Diagnostic – Summary of discussions
Consultation workshop with Provincial Governments – Center Zone, 23 February 2016**

The World Bank Group (WBG) met with 46 representatives of the Provincial Governments from the center Zone¹ 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) Agriculture and rural development; (ii) Education and skills; (iii) Natural Resources; (iv) Business Environment.

Comments from Stakeholders
<p>Agriculture and rural development:</p> <ul style="list-style-type: none"> - Agriculture is the most important sector for poverty reduction. Still a lot of room to improve productivity. - With ASEAN integration: bigger market for agriculture products available. Look at niche markets for Lao agri-products in order to be able to compete. - Not very good fertilized land. So look at other ways to improve productivity in agriculture. Technology and skills of farmers are still very limited. - People don’t want to do irrigated rice production, only rain fall production. One of the reasons is that costs are really high for irrigation. - Many people have access to land – but the conditions of the land are different (some good for agriculture, others for livestock). - When providing land concessions to foreign investments – people get very low compensations. But it affects productive land accessible to the people – they cannot pursue their activities anymore. GoL to assess how to manage land in a sustainable way.
<p>Education and skills:</p> <ul style="list-style-type: none"> - Main challenge is level of education – need of human resource development - Access to education is different depending on the localities. For example: distance from school, or need labor force to work in farm, or relocation of village in the middle of school year... - Vocational training is needed. We train people at university level but we should also train people for SME creation. Sometimes problem to attract students because quality of vocational training is not always good. - Pre-school program / early childhood development should also be supported. Reading comprehension skill among elementary school students is very low. - Need to increase salary of the teachers and more equipment in schools so get better quality of education.
<p>Natural resources:</p> <ul style="list-style-type: none"> - Logging is high and will be difficult to reach target of 70% forest coverage by 2020. - Risks: floods and droughts. Each year: a lot of destruction from natural disasters so need to come up program to cope with these natural disasters,

¹ Provinces of Vientiane, Xaisomboun, Bolikhamsai and Khammouane

Comments from Stakeholders

particularly for the benefit of farmers.

- Most capital investments in Laos are in the nat. res. sector.
- Important to better manage environment issues – example: focus on eco-tourism has potential for income generating for households.

Business environment:

- Focus on improving business environment to allow SMEs to grow.
- Better access to finance is needed. People have no access to loans or the loan duration is too short, not adapted to needs of small businesses, or the interest rates are high. Also issue of lack of collateral to get access to loans.
- AEC integration – more challenges for Lao businesses. Import taxes should be the same in all AEC countries.

Jobs:

- To improve livelihoods, need to provide more stable employment, particularly in rural areas and among ethnic minorities. After a training, we need to make sure people can get job opportunities, including self-employment.
- Laos has abundant resources but lacks human resources to make use of the existing resources.

Infrastructure:

- Access to roads is important for people to be able to sell their products – connectivity is an issue in Laos.
- Access to public services for rural people is essential.

Institutions and governance:

- Develop more the Rule of Law, also at Provincial level
- Sam Sang (decentralization) – first time ownership of project is given to Provincial level and projects are quite successful at village level. Not usual problem of project sustainability when financed by donors. However, Sam Sang is still at pilot level.

Budget and Revenues:

- Need to increase revenue collection (align with ASEAN countries).
- Re-direct public investment and spend more wisely – particularly Sam Sang policy.
- Look closely at investment policy – national and foreign investments (FDI).

Health and nutrition:

- Access to food and nutrition is important so people are healthy, and are able to focus at school.
- In remote areas, how long does it take to reach a health facility?