

**Lao PDR Systematic Country Diagnostic – Summary of discussions
Consultation workshop with Provincial Governments – North Zone A, 1 March 2016**

The World Bank Group (WBG) met with 58 representatives of the Provincial Governments from the North Zone A¹ in Luang Prabang on March 1st, 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 – access to markets; (ii) Inclusion; (iii) Education and skills; (iv) Health and nutrition.

Comments from Stakeholders

Agriculture and rural development:

- Access to markets is crucial. Even if a lot of production (rice for example), we are not able to sell all our production because lack access to markets. People just burn excess production.
- People cannot earn enough money from other crop production than rice (slash and burn) – that’s why people always go back to this type of agriculture.
- Sustainable food production, but doesn’t mean we have to increase the land area, but based on quality and increased productivity.
- Needs better circulation of goods between different areas of the country. Some produce more rice, other produce vegetables – need good transportation to move products.
- Reforms related to land are needed – influential people have access to land and not the others. Challenge for farmers who cannot get productive land.
- Need more support from GoL for agriculture production. Ex: government subsidies for agriculture products if prices get too low, like in Thailand.
- Vietnam: people go to the field like they go to the office. But in Laos it’s more subsistence agriculture, we do what we are used to and don’t change our livelihoods. For example: we don’t know which type of rice could be our comparative advantage.
- Potential: organic farming or regroup many producers to increase scale.

Inclusion:

- Even if total poverty percentage have decreased, extreme poverty level has increased. Many poor people do not have production means or production land – no opportunities in the villages. Even with high economic growth, poor remain poor and nothing has changed.
- Poverty reduction: mainly in South and Center of Laos, but not so much in the North. Maybe because investments are lower than in other regions of the country. Example: Huaphan: 56% of villages are poor. How to eradicate poverty by 2020?
- Only provinces with flat and good arable land along the Mekong are OK, the other mountainous areas have more challenges. Need to balance development of lowlands with development of uplands – to avoid urban migration.
- Even public servants are poor – only 1 million kip monthly salary.

¹ Provinces of Xiangkhouang, Luang Prabang, Houaphanh, Sainyabouli

Comments from Stakeholders

- Minority ethnic groups have difficult access to infrastructure and difficult to provide services. Have built schools and health centers for ethnic groups but people are not using the services. Why is this? Analyze the causes of poverty – get a deeper diagnostic.

Education and skills:

- Major challenge: HR development in quality and quantity. Ex for health and education sectors, need more skilled staff (teachers, doctors, nurses).
- Why people don't use health centers? Because people don't trust health workers as they cannot deal with complicated health issues.
- How many educated people can get a job? Not all of them... because lack of jobs. Good educated people who don't have jobs – we cannot recruit them because we don't have budget.
- Incorporate into curriculum lower level of education training (after primary school or lower secondary) – can help with un-employment. Focus on easy and accessible jobs.
- Work on awareness rising of people so they know better what to do to improve their living conditions, not only focus on official education.

Health and nutrition:

- School feeding is a good initiative to promote education and children to attend school
- Improve health facility standards and quality of health workers – crucial for development
- To improve quality, need more investment.
- Issue of communicable diseases because no access to clean water.

Infrastructure:

- Cost of transports is very high. If oil price increases, will create more problems.
- Remote areas still have no access to infrastructure – many ineffective projects.
- Not possible to commercialize production without roads (focus on rural roads). But even with roads, it doesn't guarantee market access.

Natural resources:

- Nat. Res. depletion adverse impacts are visible to all (lack of water for consumption, floods, land erosion). Natural disasters will increase and affect heavily the citizens, particularly the poor.
- Slash and burn agriculture is really bad for environment – it is forbidden in Vietnam.
- Development of hydro power – comparative advantage for Laos, can get a lot of revenues from this sector. Will pay for the development of the country.

Non-resource sectors:

- Need more processing industries in all Provinces – get more added value.
- How will we create jobs? If we set up factories and hire people, where to sell our products?
- Tourism industry to be developed sustainably, eco-tourism, not logging – particularly for Luang Prabang. Conserve touristic places and improve services – still a lot of room for improvement.
- Creation of stable employment – people overlook simple jobs like construction or beauty spa. Today many Vietnamese do these jobs in Luang Prabang. Why not Lao people?

Comments from Stakeholders**Institutions and governance:**

- Rule of Law enforcement in general is an issue in Laos
- Problem with Law enforcement on land concessions – people occupy any land without property rights. If you want to get them out, need to pay expensive compensations.
- Sam Sang (decentralization): need to allocate the right people at the local level and stay longer.

Budget and Revenues:

- Public debt is a major macroeconomic challenge. GoL invested a lot in infrastructure for the country but the returns on investment are not great. GoL needs to get revenues to compensate for heavy investments.

Business environment:

- Laos is not rated well in Doing Business because everything is slow in Laos. Not good public service because issues with laws and regulations enforcement and also public servants are not paid enough (corruption issues).

Financial sector

- Issue with Non-Performing Loans
- Factors that can attract FDI to Laos = peace and stability. Good selling point to attract investments.