

# LAO PDR COUNTRY PARTNERSHIP FRAMEWORK 2017-2021



**WORLD BANK GROUP**



June 2017

# Contents

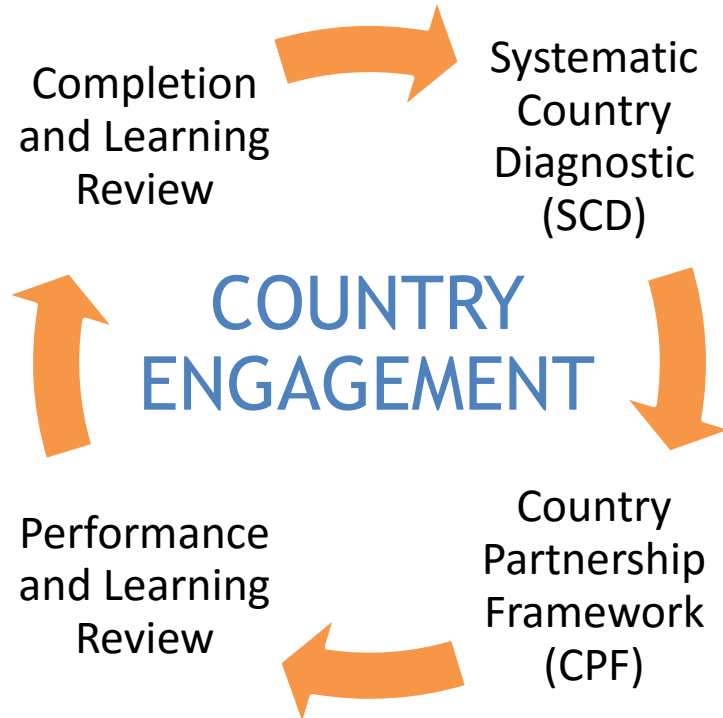
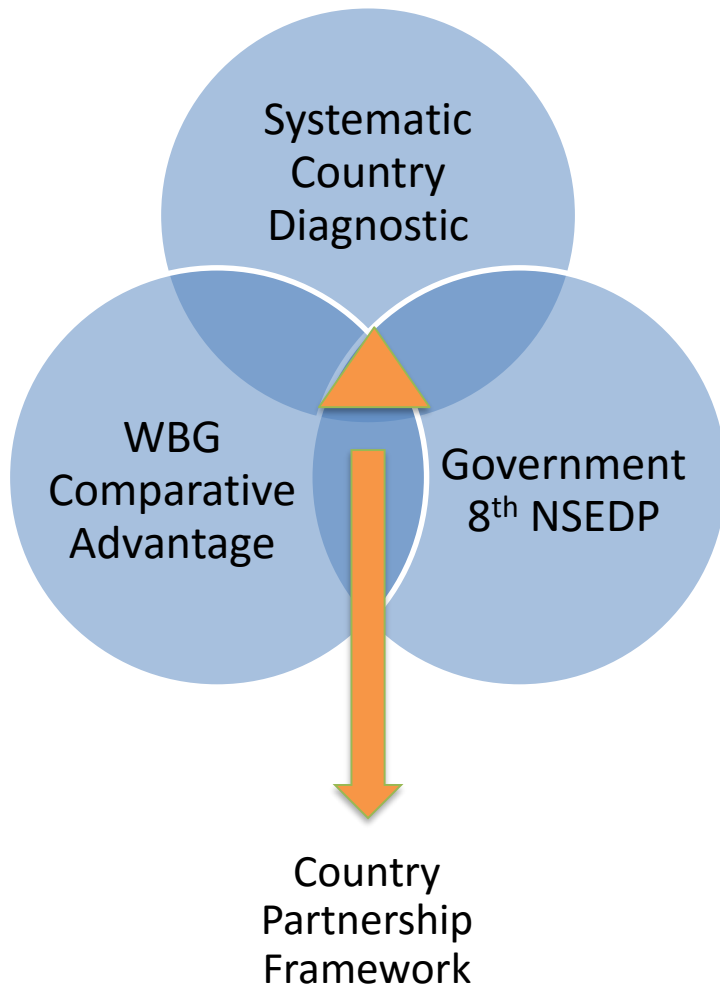
1. WBG Country Engagement
2. Government Program
3. Country Partnership Framework 2017-2021
4. Pipeline 2017-2018
5. New Projects in Northern Laos



# 1. WBG Country Engagement



# WBG Country Engagement





## 2. Government Program



# 8<sup>th</sup> National Socio-Economic Development Plan 2016-2020

## Overall goal

“Continued political stability, peace and order in the society; the poverty of the people is reduced significantly in all areas; the country is developed out of the status of Least Developed Country by 2020 through continuous, inclusive along with sustainable growth and green growth development; maximum effective management and utilization of natural resources; the development enhanced through the national potentials and advantages; participated in regional and international integration with ownership.”

# 8<sup>th</sup> NSEDP Structure

## Outcomes

### Sustained Inclusive Growth



### Human Resource Development



### Protection of Natural Resources and the Environment



## Outputs

- Sustained and inclusive economic growth
- Macroeconomic stability
- Integrated development planning and budgeting
- Balanced regional and local development
- Improved public / private labor force capacity
- Local entrepreneurs are competitive
- Regional / International integration

- Improved living standards / poverty reduction
- Improved food security and nutrition
- Access to high quality education
- Access to high quality health care
- Enhanced social welfare
- Protection of traditions and culture
- Political stability, order, justice and transparency

- Environmental protection and sustainable natural resources managements
- Preparedness for natural disasters and risk mitigation
- Reduced instability of agriculture production

Overall Goal: Reduced Poverty and LDC Graduation



# 3. Country Partnership Framework 2017-2021





# CPF goal and approach

 *lasting*  *ccessible*  *pportunities for ALL*

- Holistic and deliberate orientation towards **Green Growth and Sustainability** in pursuing the World Bank Group's twin goals (*ending extreme poverty and promoting shared prosperity for the bottom 40% of the population*).
- Support to the Government's ongoing **8<sup>th</sup> NSEDP 2016-2020**, which is closely aligned with the **Sustainable Development Goals**.

# WBG Assistance to Lao PDR

WB and IFC assistance is provided by:

- ✓ Financing / Investment
- ✓ Technical Assistance / Advisory
- ✓ Convening

## Current portfolio:

- Financial support = **\$ 450 million** (IDA + Trust Funds + IFC)
- 18 ongoing projects + advisory services and studies
- IDA 17 allocation = **\$ 173 million** (July 2014 - June 2017)



# WBG Assistance to Lao PDR

## Future assistance:

- Expected IDA 18 allocation = **\$ 240-270 million** (July 2017 - June 2020)
  - 50% increase from IDA 17 to IDA 18
- Terms of financing = **IDA credits** (concessional loans with interest rates of around 2%, maturity 30 years, and grace period of 5 years)
- Increase in financing provides opportunity to scale-up impact in key areas of **Green Growth** as well as **Nutrition** (through a significant program in health, education, agriculture and rural water supply and sanitation)

# CPF Structure: focus areas and objectives



## Supporting inclusive growth

- Putting public finances on a sustainable path and supporting financial sector stability
- Making it easier to do business
- Investing in infrastructure for growth and inclusion



## Investing in people

- Reducing the prevalence of malnutrition
- Improving quality of primary and pre-primary education and keeping girls in school
- Improving access to and quality of health services
- Reducing vulnerability and inclusive access to social services



## Protecting the environment

- Promoting environmental protection and sustainable natural resources management
- Putting in place enhanced disaster risk management and climate and disaster resilience



**Cross-cutting theme: Strengthening institutions to establish a rules-based environment**

# Focus Area 1: Supporting inclusive growth



## Objective 1.1. Putting public finances on a sustainable path and supporting financial sector stability

### Ongoing support/projects:

#### World Bank

- Strengthening the National Statistical System Project
- Technical Assistance for Capacity Development in Hydropower and Mining
- Public Finance Management Modernization Strategy
- Financial Sector Development
- Marco-economic Monitoring

### Possible future support/projects:

#### World Bank

- Green Growth Budget Support series
- Statistics and Civil Registration and Vital Statistics
- Public Finance Management

# Focus Area 1: Supporting inclusive growth



## Objective 1.2. Making it easier to do business

### Ongoing support/projects:

#### World Bank

- Customs and Trade Facilitation Project
- Second Trade Development Facility Project
- SME Access to Finance Project
- Poverty Analysis
- Financial Sector Development

#### IFC Investment

- ABL Lao Kip Loan
- Electricite du Laos
- BFL Risk Sharing Facility
- KS Resort – Sofitel Luang Prabang
- Essilao

#### IFC Advisory

- Secured Transition - Movable Finance Market Development
- Modernized National Payment System
- Development of Credit Information Bureau
- Investment Climate Reform

### Possible future support/projects:

#### World Bank

- Agriculture Commercialization
- Competitiveness and Private Sector Development

#### IFC Investment

- Investment in selected commercial banks

# Focus Area 1: Supporting inclusive growth



## Objective 1.3. Investing in infrastructure for growth and inclusion

### Ongoing support/projects:

#### World Bank

- Road Sector Project 1
- Road Sector Project 2
- Power Grid Improvement Project
- Poverty Reduction Fund 3
- Poverty Analysis
- Pro-Poor Rural Water Supply and Sanitation

#### IFC Advisory

- Lao Roads PPP

### Possible future support/projects:

#### World Bank

- National Road 13 - North
- Sustainable Energy and Extractives Technical Assistance
- Energy Interconnector with Vietnam
- Rural Development/Electrification

#### IFC Investment

- Investment in selected hydropower projects

# Focus Area 2: Investing in people



## Objective 2.1. Reducing prevalence of malnutrition

### Ongoing support/projects:

#### World Bank

- Addressing Vulnerability and Malnutrition
- Health Governance and Nutrition Development Program
- Poverty Reduction Fund 3

### Possible future support/projects:

#### World Bank

- Social Protection System to Reduce Vulnerability and Malnutrition
- Additional Financing for Health Governance and Nutrition Development Program
- Universal Health Coverage
- Water Supply and Sanitation for Health
- Agriculture Commercialization
- Investing in Early Years (ECD/Early Grade Reading)

## Objective 2.1. Improved quality of primary and pre-primary education and keeping girls in school

### Ongoing support/projects:

#### World Bank

- Early Childhood Education Project
- Second Global Partnership for Education

### Possible future support/projects:

#### World Bank

- Investing in Early Years (ECD/Early Grade Reading)



# Focus Area 2: Investing in people



## Objective 2.3. Improving access to and quality of health services

### Ongoing support/projects:

#### World Bank

- Addressing Vulnerability and Malnutrition
- Pro-Poor Rural Water Supply and Sanitation
- Health Governance and Nutrition Development Program

### Possible future support/projects:

#### World Bank

- Additional Financing for Health Governance and Nutrition Development Program
- Universal Health Coverage
- Statistics and Civil Registration and Vital Statistics

## Objective 2.4. Reducing vulnerability and inclusive access to social services

### Ongoing support/projects:

#### World Bank

- Addressing Vulnerability and Malnutrition

### Possible future support/projects:

#### World Bank

- Social Protection to Reduce Vulnerability and Malnutrition

# Focus Area 3: Protecting the Environment



## Objective 3.1. Promoting environmental protection and sustainable natural resources management

### Ongoing support/projects:

#### World Bank

- Green Growth Analytical Program
- Second Lao Environment and Social Project
- Scaling-Up Participatory Sustainable Forest Management
- Technical Assistance for Capacity Development in Hydropower and Mining Sector
- Mekong Integrated Water Resources Management
- Nam Theun 2 Social and Environmental Project

#### IFC Advisory

- Lao Forestry Project
- Lao Hydro Advisory

### Possible future support/projects:

#### World Bank

- Green House Gas Forest Emissions Reduction
- Additional Financing for Mekong Integrated Water Resources Management
- Water Resources Management Project
- Sustainable Energy and Extractives Development Technical Assistance Project

#### IFC Investment

- Forestry plantation and processing
- Renewable energy project (hydro, solar or wind)

# Focus Area 3: Protecting the Environment



**Objective 3.2.** Putting in place enhanced disaster risk management as well as climate and disaster resilience

## Ongoing support/projects:

### World Bank

- Road Sector Project 2

## Possible future support/projects:

### World Bank

- Disaster Risk Management Project

# Cross-cutting: Strengthening institutions to establish a rules-based environment



## Ongoing support/projects:

### World Bank

- Green Growth Analytical Program
- Second Lao Environment and Social Project
- Technical Assistance for Capacity Development in Hydropower and Mining Sector
- Nam Theun 2 Social and Environmental Project

## Possible future support/projects:

### World Bank

- Green Growth Budget Support Series

# Risks to the implementation of the CPF

**Overall risk = Substantial**

## *Governance Risks*

- Lao PDR ranks low on a number of governance indicators (voice and accountability, control of corruption, regulatory quality)
- Key institutional challenge: commercialization of the State, fragmentation of Government, nascent capacity of the administration, limited checks and balances

## *Macroeconomic Risks*

- High risks from domestic economic management policies: public debt management, off-budget spending, cost overruns, financial sector weaknesses
- Pressures on the exchange rate may trigger high inflation

## *Environment Risks*

- Lao PDR's natural resources have been intensively exploited (reduction of forest cover, hydropower development)
- Economic activities as increasingly vulnerable to climate change and natural disasters



# 4. Pipeline 2017-2018



# Pipeline 2017-2018

Year	CPF Focus Area	Project Name	Amount (US\$ m)	Comment
2017	Strengthening institutions	Green Growth Budget Support	38.6	Board: May 31 (IDA 17)
	Supporting inclusive growth	Finance to Banque Franco Lao (BFL) to support SMEs	10	May (IFC)
		Finance to another commercial bank, in Lao KIP, to support SMEs	9	June (IFC)
	Investing in people	Additional Financing for Health and Nutrition Development Program	10	Tentative
	Protecting the environment	Extension of Lao Smallholder Forestry Advisory Project	1.8	May (IFC)
		Additional Financing for Mekong Water Resources Management	25	Board: July 6
		Disaster Risk Management	30	Board: July 6
Catastrophe Drawdown Option		10	Tentative	
2018	Supporting inclusive growth	Agriculture Commercialization	35	Tentative
		Statistics and Civil Registration and Vital Statistics	20	Tentative
		National Road 13 North	40	Tentative
	Investing in people	Social Protection to Reduce Vulnerability and Malnutrition	25	Tentative



# 5. New projects in Northern Laos



# Lao Road Sector Project 2

Approval Date: 13 December 2016	Total Project Cost: <b>US\$ 47.4 million</b>
Effectiveness Date: 23 March 2017	<i>GoL: US\$ 10 million</i>
Closing Date: 31 August 2022	<i>IDA: US\$ 25 million</i>
	<i>Nordic Development Fund: US\$ 12.4 million</i>

- **Project Development Objective:** Strengthen maintenance systems to improve reliable road connectivity in Lao PDR, and provide immediate and effective response in case of an Eligible Crisis or Emergency.
- **Locations:** Xiengkhouang, Xayabouly, Phongsaly, Oudomxay, Huaphan and Bolikhamsay (all provinces highly vulnerable to natural hazards).
- **Project beneficiaries:** 1.6 million people to benefit from improved and reliable road connectivity
- **Project Activities:** (i) improve road network to be climate resilient through strengthening vulnerable sections of the local road network and implementing effective road maintenance; (ii) improve climate resilience road planning and technical guidelines; and (iii) capacity building of staff at MPWT, provincial and district levels.

# Disaster Risk Management Project



Approval Date: 6 July 2017	Total Project Cost: <b>US\$ 31 million</b>
Effectiveness Date: end 2017 (TBC)	<i>IDA: US\$ 30 million</i>
Closing Date: 30 June 2022	<i>SEA Disaster Risk Insurance Facility: US\$ 1 million</i>

- **Project Development Objective:** Reduce the impacts of flooding in Muang Xay and enhance the capacity of the Government to provide hydro-meteorological services and disaster response.
- **Locations:** Phongsali, Oudomxay, Luang Prabang (all provinces highly vulnerable to natural hazards).
- **Direct project beneficiaries:** communities in the urban area of Muang Xay (98,000 people), and end users of improved hydro-meteorological and weather information (population of Nam Ou River Basin comprising Oudomxay, Luang Prabang, and Phongsali Provinces).
- **Project Activities:** Integrated urban flood risk management in Muang Xay, hydromet modernization and early warning systems on national level, and financial planning for disaster recovery and reconstruction.

# Thank you!

All documents are publicly available and can be downloaded on

[www.worldbank.org/laos](http://www.worldbank.org/laos)

Suggestions or comments should be sent to:

[laos@worldbank.org](mailto:laos@worldbank.org) or to

[www.facebook.com/worldbanklaos](https://www.facebook.com/worldbanklaos)

