



WORLD BANK GROUP

What is the World Bank Group?

The World Bank Group (WBG) is the world's largest development institution, offering loans, grants, advice, and knowledge to help countries reduce poverty and promote shared prosperity.

The World Bank is a vital source of financial and technical assistance to developing countries around the world. It is not a bank in the ordinary sense but a unique partnership to reduce poverty and support development.

Established in 1944 and headquartered in Washington, D.C. in the United States, the World Bank Group is made up of 188 member countries and has offices in more than 120 countries worldwide. Lao PDR joined the World Bank as a member in 1961.

The World Bank Group's goal is to achieve the twin goals of ending extreme poverty by 2030 and boosting shared prosperity of the bottom 40 percent of the population in all developing countries.

The World Bank Group is comprised of five organizations:



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Lao PDR: Country Progress and Challenges

Lao PDR, a lower-middle income economy with a Gross National Income (GNI) per capita of US\$1,600 in 2014, is one of the fastest growing economies in the East Asia and Pacific region. Gross Domestic Product (GDP) growth averaged almost 8 percent over the last decade, with increasing use of the country's natural resources – mostly water, minerals and forests – contributing one third of output growth. Construction and services also expanded as resource rents spread to the rest of the economy and growing regional integration boosted tourism and attracted foreign investment. Growth contributed to lowering the number of poor people to an estimated 23.2 percent of the population in 2012/13 from 33.5 percent a decade ago.

At the current pace of development and improvement in human and economic outcomes, Lao PDR is likely to become eligible for graduation from 'Least Developed Country' status by 2020.

Natural resources - forestry, agricultural land, water, and minerals - comprise more than half of Lao PDR's total wealth and managing natural resources to achieve long-term development and sustainability is a key focus of the Government's 8th National Socio-Economic Development Plan (8th NSEDP) 2016-2020, to which the World Bank Group's Country Partnership Framework (2017 – 2020) will be aligned.

As a member of the Association of Southeast Asian Nations (ASEAN) Lao PDR is increasing its integration into the regional and global economy. The launch of the ASEAN Economic Community at the start of 2016 will further liberalize the movement of goods and services, capital and high-skilled labor in the regional block. On February 2, 2013, Lao PDR officially became a member of the World Trade Organization, the culmination of a 15-year process of reforms and negotiations.

Key challenges for Lao PDR are to strengthen the link between economic growth and poverty reduction and to ensure sustainability of economic growth. This will require building up human capital, including tackling the persistently high rates of malnutrition (44 percent of children under five were stunted in 2012) and improving education outcomes (32 percent of second graders were not able to read in 2012). At the same time, providing opportunities for the better skilled labor force will require an efficient and transparent business environment that will allow Lao PDR to improve on its current ranking of 134th (out of 189 countries) on the 2016 Doing Business rankings. Finally, prudent macroeconomic policies and more strategic management and conservation of natural resources are needed to ensure that current growth rates do not result in excessive costs for future generations.



Lao PDR and the World Bank Group Partnership

The first WBG supported project in Lao PDR, launched in 1977, was in the agriculture sector. Over more than five decades of development partnership, World Bank financing and assistance have helped Lao PDR with the development of access to electricity, support for road connections, telecommunications, natural resource management, private sector development, and human development initiatives such as health services and education support. The Country Partnership Strategy (CPS) for Lao PDR 2012-2016 has three strategic objectives and one cross-cutting theme.

Competitiveness and Connectivity: Strengthen government capacity to support growth diversification and competitiveness and to increase access to improved infrastructure services in transport and energy.

Sustainable Natural Resource Management: Strengthen governance and management of hydropower and mining sectors, including sustained Nam Theun 2 implementation, sustainable environmental, social and water resource management, as well as sustainable management and protection of forests and biodiversity.

Inclusive Development: Increase utilization and quality of essential maternal and child health services, expanded access to and improved quality of primary education in targeted, disadvantaged districts, improved access to basic services and markets and community participation in rural areas.

Cross-Cutting Theme: Strong Public Sector Management: Strengthen government capacity for macroeconomic management and policy coordination, strong linkages between planning, fiscal, borrowing strategy and annual budgeting, as well as improved financial management for appropriate revenue management.

Focusing on Poverty: The WBG is preparing the Systematic Country Diagnostic (SCD) to identify key development challenges and opportunities for reducing poverty and boosting shared prosperity in Lao PDR. The SCD will also provide inputs towards the preparation of WBG's Country Partnership Framework (CPF) 2017 – 2020. The CPF will identify areas where the WBG can engage over the next four years to support the Government of Lao PDR's 8th NSEDP 2016-2020.



Helping the People of Lao PDR: Overview of Results Supported by the World Bank

Nam Theun 2 Hydroelectric Project: The NT2 Multi-purpose Hydroelectric Project is jointly implemented by the Government of Lao PDR and the Nam Theun 2 Power Company. It is supported by financing from 27 parties including the World Bank and Asian Development Bank. By 2035, the project is expected to have generated around US\$2 billion in Government revenues for poverty reduction and environmental protection through the sale of electricity to Thailand and into the Lao grid. Revenues from electricity sales are being used to finance Government efforts to enhance access to health care, education and eligible poverty and environment programs in Lao PDR.



Sustainable Natural Resource Management: The Scaling-Up Participatory Sustainable Forest Management (SUFORD SU) Project (US\$31.8 million) is promoting participatory sustainable forest management, and piloting forest landscape management. The Second Laos Environment and Social (LENS2) Project has improved management of National Protected Areas and is reducing the trade in illegal wildlife. This project received US\$15 million in additional IDA financing in April 2015, and its scope was increased to include capacity-building for the protection of forested watersheds and for environment and social impact management.



Education: The Second Education Development Project helped increase enrollment and completion rates for students, and to improve the quality of education in Lao PDR's six poorest provinces. Under this project, 781 primary schools were built, each offering a complete five grades of primary education. Approximately 4,000 teachers were trained, a range of teaching-learning tools was developed and more than three million textbooks were distributed. The ongoing Early Childhood Development Project (US\$28.0 million) aims to increase coverage and quality of early childhood education while the Second Global Partnership for Education Project (US\$16.8 million) supports efforts to improve pre-primary and primary education quality.



Health Care: The World Bank also supports the Government of Lao PDR through the Health Services Improvement Project. This project assists the Government to increase utilization and quality of health services for poor women and children, particularly in the rural areas. Preliminary results show that 0.78 million poor people now have access to a basic package of health, nutrition, or reproductive health services, nearly 0.9 million cases of health equity fund services have been provided to poor people, 424 health facilities have been either constructed or renovated, and more than 3,350 health personnel have received training. The current Health Governance and Nutrition Development Project (US\$26.4 million) supports increased coverage of reproductive, maternal and child health services as well as a national nutrition behavior change campaign.



Ending Poverty: The Poverty Reduction Fund (PRF) is the largest multi-sector community-driven development project in the country. The current phase, the PRF II project, with total funding of about US\$63 million from development partners, including US\$25 million from IDA and US\$10 million from the Government of Lao PDR, has benefited more than 450,000 rural poor in about 850 villages. In target villages, results include a 37 percent increase in the use of health services, a 76 percent increase in access to clean drinking water, and 30 percent increase in access to all-weather roads. Additional financing for the Poverty Reduction Fund was approved in June 2015 to enable the construction of vital infrastructure including schools, health clinics, roads and drinking water systems for poor communities across Laos.

IFC supports the sustainable economic development of the Lao PDR by investing in commercial enterprises and advising the Government and firms so that private sector projects yield returns for investors, generate income for the poor, and set good standards in environmental and social practices. There are several areas that IFC serves in the country:



Promoting Equitable Access to Finance:

IFC works with bank and other financial institutions as well as related government authorities to improve access among businesses. It also provides lending to small and medium enterprises, which make up more than 90 percent of Lao PDR's private sector, by helping to set up an online moveable collateral registry. The registry makes it easier for borrowers to obtain loans by pledging equipment and inventory, rather than land titles or property, as collateral.

Promoting sustainable Hydropower and other infrastructure:

(i) IFC mobilizes private sector participation in Lao PDR's power generation and distribution programs to develop more sustainable hydropower, (ii) IFC has provided US\$15 million worth of loans to Electricite du Laos and has been advising EDL-Generation Public Company, on improving its environmental and social risk management, (iii) IFC helps banks better manage their investment risk in hydro-power projects and advise hydropower companies on ways to improve their business performance and standards, and (iv) IFC promotes public-private partnerships to encourage private companies to invest and work with the Government to build high-quality infrastructure.



Improving the Investment Climate:

IFC supports the Lao Government in developing business-friendly laws and regulations on start-ups, investments, and sustainable hydropower. IFC advises the Government on simplifying tax-filing procedures to reduce compliance costs for businesses and improve tax administration and revenue collection. IFC brings together the public and private sectors to discuss policies affecting businesses through the Lao Business Forum.



Investment services: The International Finance Corporation (IFC) provides a wide range of products and financial services to respond to clients' need. Samples of the products and services include loans, syndicated loans, equity finance, risk management products and trade finance.