

**Lao PDR Systematic Country Diagnostic – Summary of discussions  
Consultation workshop with Provincial Governments – North Zone B, 3 March 2016**

The World Bank Group (WBG) met with 70 representatives of the Provincial Governments from the North Zone B<sup>1</sup> in Oudomxay on March 3<sup>rd</sup>, 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) Institutions and governance; (iv) Infrastructure.

**Comments from Stakeholders**

**Agriculture and rural development:**

- In the north, 90% of people are engaged in agriculture – only source of income (often slash and burn and opium cultivation). Thus, agriculture development is an easy way to reduce poverty, needs to play a bigger role in economic development.
- Agriculture = great potential but need to increase productivity, no need to increase land surface. Stabilization of slash and burn culture is essential.
- Develop different varieties of seeds and rice species, irrigation, good techniques, to focus on new technology in agriculture – in order to increase productivity. Not a lot of investments in agriculture and people still rely on subsistence agriculture. If we don’t change the way agriculture works, we’ll continue heavy deforestation.
- Promote commercialized agriculture: access to markets and trade facilities are critical in order to sell the products.
- Extension workers are not knowledgeable to provide good advice.
- Middle men that buy agriculture products buy them at very low prices and make a very high profit margin.

**Education and skills:**

- Access to higher education is an issue for rural people. Would be good to have Lao people able to study abroad – get loans or scholarships for education.
- Rural areas have resistance to new technologies, because limited understanding. How to deal with people’s perceptions, understandings and traditions is important for HR development.
- Have jobs preserved for Lao nationals only, because people cannot compete with foreign labor. Eg. Casinos don’t hire local people because lack of skills, so hire foreign labor from China.
- Schools only focus on theory and no practical works
- HR development has to be in line with development plans of each locality and market opportunities. Ex tea plantations in Phongsaly – need experts on this production.

<sup>1</sup> Provinces of Bokeo, Louang Namtha, Phongsaly and Oudomxay

### Comments from Stakeholders

**Institutions and governance:**

- Political stability, good security, clear policies and targets – these are all opportunities for Laos.
- Good laws and regulations are in place but law enforcement needs to be improved + high corruption. Need more law dissemination / information, even civil servants don't know the laws.
- Some laws are in conflict with each other (ex: public investment and FDI) – look at conformity
- Need more focus on public governance strengthening, PFM, rule of law, transparency.
- Problem about access to land and duration of concessions.

**Infrastructure:**

- Road access in remote areas is limited. Need to develop road conditions, road network.
- Costs of transport are very high. In Oudomxay, 20 villages have no access to roads and more than 100 villages only have seasonal roads. Issue of access to markets for agriculture products.
- We don't invest in projects that provide good return – need to focus more on hydropower because long term revenues.
- Access to roads and electricity are important for poverty reduction
- Water transportation could be further developed

**Inclusion:**

- Average poverty in 10 Northern provinces is more than 30%. How to fight against poverty? Awareness raising campaigns for behavior change – people don't realize they are poor and continue with what they know.
- GDP per capita is only an average but doesn't reflect the reality of the people.
- Focus more on socio-economic development of women in Laos (as they represent 50% of the population) – usually women are poorer and more illiterate than men.
- Need culture preservation - Promotion of culture diversity and ethnic groups specificities.
- Traditions and norms – issue for women education, after primary school (especially ethnic minorities women).

**Budget and Revenues:**

- Rule of supply and demand doesn't work here in Laos. Even with lots of supply, prices don't go down.
- High public debt in Laos, but this is not avoidable in order to develop the country.
- Budget allocations are not in line with focus on development.
- Budget allocations: some provinces get much more budget than others – creates differences between provinces (ex on infrastructure).

**Natural resources:**

- Construction of small dams in Northern provinces is a good thing for increased revenues. When constructing dams, also consider what could be useful for people (ex: fisheries).
- Potential of hydro-power. Carbon credit: opportunity?
- Laos still has a lot of land and little population: not too late to preserve natural resources.

**Comments from Stakeholders**

- Natural resources preservation – when they are depleted, there is no possible replacement – need better management and more involvement of the people in environment conservation.

**Non-resource sectors:**

- Need good balancing of agriculture sector and other sectors. Ex: promote more processing activities, to export more than raw material.
- Services sector development, including tourism – also closely related to transport.
- Tourism should be included in diagnostic as a development opportunity. Focus on potential of each locality, also as a way to reduce poverty. Eco-tourism is a great opportunity.
- Learn from Thailand regarding services provision – ex on tourism.

**Regional Integration:**

- Northern provinces have development strategy with China – Master Plan. Try to implement this plan with first factory processing in Oudomxay.
- Neighbors don't want to import agriculture products from Laos because they apply many protective measures. Ex corn exports with Vietnam.
- AEC – today Laos is not in a good position to compete with other member countries.
- GMS location is an opportunity, close to biggest market in the world: China – attract more investors.

**Health and nutrition:**

- People don't know what their nutrition needs are. Need awareness raising.