Stakeholder Consultations
Lao PDR Country Partnership Framework
FY22-26

December 2021
Consultations on SCD and CEM held September 22-24, 2021
Foundations

• July 1, 2021-June 30, 2026 (FY22-26).

• Supports:
  • National Socioeconomic Development Plan 2021-26
  • National Agenda for Economic and Social Difficulties

• Financing not known yet - possibly $90m/year

• Performance and Learning Review will update the program in last 2 years.

• Based on 2021 Systematic Country Diagnostic update and previous CPF lessons

Increasing public debt and macroeconomic instability
Jobless growth and inequality
Increased vulnerability to climate, environmental, economic and health shocks

From diagnosis to strategy

Stabilize
Share
Sustain
<table>
<thead>
<tr>
<th>From High-Level Outcomes (HLOs)</th>
<th>To SCD Objectives</th>
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</thead>
<tbody>
<tr>
<td>Greater macroeconomic stability</td>
<td>sustainable debt</td>
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<td>fiscal space</td>
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<td>financial sector stability</td>
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<td>Broad-based human productivity improvements</td>
<td>dynamic private sector &lt;&gt; improved connective</td>
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<td>infrastructure &lt;&gt; well-functioning labour market &lt;&gt; reduced stunting &lt;&gt; enhanced</td>
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<td>learning outcomes &lt;&gt; equitable access to quality health services</td>
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<td>Improved resilience to shocks</td>
<td>improved natural resource management &lt;&gt; action</td>
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<td>on disaster risk and climate change &lt;&gt; well-managed urbanisation &lt;&gt; comprehensive</td>
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<td>social protection &lt;&gt; improved financial inclusion &lt;&gt; improved agricultural</td>
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<td>productivity</td>
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<tr>
<td>SCD Top and High Priorities</td>
<td>CPF Objective</td>
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<td>---------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
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<tr>
<td>Sustainable Debt Levels</td>
<td><strong>No</strong></td>
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<tr>
<td>Stable Financial Sector</td>
<td><strong>No</strong></td>
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<tr>
<td>Increased Fiscal Space</td>
<td><strong>Objective 1</strong>: Improved Expenditure Management, Revenue Mobilization</td>
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<td><strong>Objective 2</strong>: Improved financial sustainability in the power sector.</td>
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<td>Dynamic Private Sector</td>
<td><strong>Objective 3</strong>: Enhanced firm-level competitiveness</td>
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<td>Connective Infrastructure</td>
<td><strong>Objective 4</strong>: Increased connectivity via climate-resilient infrastructure</td>
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<td>Reduced Stunting</td>
<td><strong>Objective 5</strong>: Expanded use among women and children of practices and services beneficial to nutrition.</td>
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<td>Enhanced Learning Outcomes</td>
<td><strong>Objective 6</strong>: Improved learning outcomes for primary grade students and improved acquisition of market-relevant skills.</td>
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<td>Equitable Access to Quality Health Services</td>
<td><strong>Objective 7</strong>: Improved inclusive access to quality health services.</td>
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<td>Improved Natural Resource Management</td>
<td><strong>Objective 8</strong>: Improved management of Natural Resources.</td>
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<td>Action on Disaster Risk and Climate Change</td>
<td><strong>Objective 9</strong>: Strengthened resilience of vulnerable communities to climate and natural disaster risks.</td>
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<td>Improved agricultural productivity</td>
<td><strong>Objective 10</strong>: Increased agriculture productivity.</td>
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<tr>
<td>Comprehensive Social Protection</td>
<td><strong>Objective 11</strong>: Strengthened resilience of population to shocks.</td>
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</table>

Cross-cutting theme: Strengthened governance and institutions
Lessons from 2017-21 CPF

- keep it simple
- measure impact
- be politically realistic
- don’t over-promise
CPF Program Implementation

Management principles

• Capacity constraints on both sides -> 3 new IPFs per year
• Development takes time -> follow-on projects

Possibility of adjustment

• Credible macro-restructuring programme to Bretton Woods institutions -> debt and financial sector restructuring as CPF objectives
CPF Objectives and Proposed Operations FY22-26
“Greater macroeconomic stability”

**CPF Objective 1**
Improved expenditure management and revenue mobilization

- Strengthening Revenue and Expenditure Management Project (FY25, MOF)
- IFC Thanaleng Dry Port (Vientiane Logistics Park)

**CPF Objective 2**
Improved financial sustainability in the power sector

- Domestic Grid Optimization Project (FY23, MEM)
CPF Objectives and proposed operations FY22-26
“Broad-based human productivity improvements”

CPF Objective 3
Enhanced firm-level competitiveness
- Priority Skills for Growth (FY22, MOES, MOLSW)
- IFC investments (financial institutions)

CPF Objective 4
Increased connectivity through climate-resilient infrastructure
- Regional Economic Corridor and Connectivity (FY22, MPWT)
- Climate Resilient Road Connectivity Improvement (FY25, MPWT)
- IFC Thanaleng Dry Port (Vientiane Logistics Park)

CPF Objective 5
Expanded use among women and children of practices and services beneficial to nutrition
- Health and Nutrition Services Access Follow-on Project (FY24, MOH)

CPF Objective 6
Improved learning outcomes for primary grade students and improved acquisition of market-relevant skills
- Priority Skills for Growth (FY22, MOES, MOLSW)

CPF Objective 7
Improved inclusive access to quality health services
- Health and Nutrition Services Access Follow-on Project (FY24, MOH)
- Phase 2 of Reducing Rural Poverty & Malnutrition Project (FY24, MAF, MOH)
CPF Objectives and proposed operations FY22-26
“Improved resilience to shocks”

CPF Objective 8
Improved management of natural resources
- Lao Environmental and Waste Management Project (FY23, MONRE, MPWT)
- IFC investments in wind power, floating solar, agro-forestry

CPF Objective 9
Strengthened resilience of vulnerable communities to climate and natural disaster risks
- Dam Safety and Management (FY26, MEM)

CPF Objective 10
Increased agriculture productivity
- Green Agriculture Competitiveness and Value-Chain Development Project (FY25, MAF, MOIC)

CPF Objective 11
Strengthened resilience of population to shocks
- Poverty Reduction Fund follow-on (FY24, MAF)
CPF Objectives and proposed operations FY22-26
“Cross-cutting theme: Strengthened governance and institutions”

CPF Cross-cutting theme: Strengthened governance and institutions

Statistical Modernization Project (FY23, MPI)

Modernizing Human Resources Management in Education and Health for Better Outcomes (FY26, MOH, MOES)
Analysis and advice on Addressing Economic and Financial Difficulties (National Agenda) - with ADB, Australia, EU, JICA and others

- Macroeconomic, Trade, and Business Environment
- Financial Sector Development
- Support Government on Policy and Performance Actions (IDA SDPF)
- Public Expenditure Review (PER)
- Public Expenditure and Institutional Review and FM Analysis of Education Sector
- Public Financial Management Reform
- Upgrade Debt Management Financial Analysis System (to DAMFAS 6)
- Power Sector Sustainability
- Energy Sector Financial Recovery Program
- Corporate governance assessment of EDL
Selected ASA supporting other CPF Focal Areas

- Broad-based human productivity improvements
- Improved resilience to shocks
- Macroeconomic, trade, and business environment ↔ IFC Digital Transformation Advisory Project ↔ economic corridor development ↔ green urban mobility ↔ public-private partnerships ↔ Urban Transport Sector Financing and Funding Review ↔ Knowledge, Innovation and Skills for Sustained Growth ↔ health sector analytical work
Focus on Four Persistent Gender Gaps

Country Gender Action Plan aligned with five-year *National Plan on Promoting Gender Equality* and 9th National Socio-Economic Development Plan

1. Early marriage, adolescent pregnancy & maternal mortality
2. Skills gap with a focus on technical and vocational education
3. Equal opportunities in livelihood activities and wage jobs
4. Participation in local decision making
Annexes
## From SCD Priorities to CPF Objectives and Program

<table>
<thead>
<tr>
<th>Priorities (from SCD)</th>
<th>CPF Objectives</th>
<th>CPF Program</th>
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</thead>
</table>
| Sustainable Debt Levels | No             | Ongoing Financing:  
|                        |                | • E-FITS (FY19-26)  
| Stable Financial Sector | No             | • Lao PDR PFM Reform Project RETF (FY19-22)  
| Increased Fiscal Space | 1: Improved expenditure management and revenue mobilization | • MIGA Nam Theun 2 guarantee  
|                        |                | Financing Pipeline:  
|                        |                | • Strengthening Revenue and Expenditure Management (E-FITS continuation) (FY25)  
|                        |                | • IFC Thanaleng Dry Port (Vientiane Logistics Park - VLP) (IFC)  
|                        | 2: Improved financial sustainability in the power sector | Pipeline Financing:  
<p>|                        |                | • Domestic Grid Optimization Project (FY23)  |</p>
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<td>Dynamic Private Sector</td>
<td>3: Enhanced firm-level competitiveness</td>
<td><strong>Ongoing Financing:</strong></td>
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<td>• MSME A2F Emergency and Recovery Project (FY21-26)</td>
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<td>• Lao PDR Competitiveness &amp; Trade Project (FY19-23)</td>
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<td>• IFC Acleda (IS IFC) + SME A2F (WB)</td>
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<td><strong>Financing Pipeline:</strong></td>
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<td>• Priority Skills for Growth (FY22)</td>
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<td>Connective Infrastructure</td>
<td>4: Increased connectivity through climate-resilient infrastructure</td>
<td><strong>Ongoing Financing:</strong></td>
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<td>• Lao Road Sector Project 2 (FY17-26)</td>
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<td>• Lao NR13 (FY18-23)</td>
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<td>• Poverty Reduction Fund (PRF) III (FY16-24)</td>
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<td>• BETF linked to ongoing road project (PPP)</td>
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<td><strong>Financing Pipeline:</strong></td>
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<td>• Regional Economic Corridor and Connectivity (FY22)</td>
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<td>• IFC Thanaleng Dry Port (Vientiane Logistics Park) (IS IFC)</td>
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| **Reduced Stunting** | 5: Expanded use among women and children of practices and services beneficial to nutrition | **Ongoing Financing:**  
- Reducing Rural Poverty & Malnutrition (RRPM) (FY19-24)  
- Poverty Reduction Fund (PRF) III (FY16-24)  
- HANSA Project (FY20-26)  
- Scaling-Up Water Supply, Sanitation, and Hygiene Project (FY19-24)  
- Lao Health Governance and Nutrition Development (FY15-22)  
**Financing Pipeline:**  
- HANSA Follow-on Project (FY24)  
- Phase 2 of Reducing Rural Poverty and Malnutrition (RRPM) (FY24) |
| **Enhanced Learning Outcomes** | 6: Improved learning outcomes for primary grade students and improved acquisition of market-relevant skills | **Ongoing Financing:**  
- Second Global Partnership for Education RETF (FY15-22), LEAP FY15-19  
**Financing Pipeline:**  
- Priority Skills for Growth (FY22)  
- Modernizing Human Resource Management in Education and Health for Better Outcomes (FY26) |
| **Equitable Access to Quality Health Services** | 7: Improved inclusive access to quality health services | **Ongoing Financing:**  
- HANSA Project (FY20-26)  
- Lao PDR COVID-19 (FY20-24)  
- Reducing Rural Poverty & Malnutrition (FY19-24)  
**Financing Pipeline:**  
- Reducing Rural Poverty & Malnutrition follow-on (FY24) |
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| **Improved Management of Natural Resources** | 8: Improved management of natural resources | **Ongoing Financing:**
- Second Lao Environment & Social Project (FY14-22)
- Lao Land Project (FY21-26)
- Landscapes and Livelihoods Project (FY21-28)
- Landscapes and Livelihoods GEF (FY21-28)
- Scaling-Up Participatory Sustainable (FY13-23)
- FCPF Carbon Fund: Lao PDR ER Program (FY21-26)
- 4M Mekong Int. Water Resources MGMT (FY12-22)
- Public Information and Awareness Services for Vulnerable Communities TF (FY21-25)
- Lao PDR Clean Cook Stove Initiative TF (FY20-26)
- MIGA Nam Theun 2 guarantee

**Financing Pipeline:**
- Lao Environmental and Waste Management Project (FY23)
- IFC investments in wind power, floating solar, and agro-forestry

| **Action on Disaster Risk and Climate Change** | 9: Strengthened resilience of vulnerable communities to climate and natural disaster risks | **Ongoing Financing:**
- P160930 Lao PDR Southeast Asia DRM Project (FY18-25)

**Financing Pipeline:**
- Dam Safety and Management (FY26) |
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<td>Increased agriculture productivity and resilience</td>
<td>10: Increased agriculture productivity.</td>
<td><strong>Ongoing Financing:</strong>&lt;br&gt;• Agriculture Competitiveness Project (FY18-24)&lt;br&gt;• Enhancing Systematic Land Registration Project (FY22-26)</td>
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<td><strong>Financing Pipeline:</strong>&lt;br&gt;• Green Agriculture Competitiveness and Value Chain Development Project (FY24)</td>
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<td>Comprehensive Social Protection</td>
<td>11: Strengthened resilience of population to shocks.</td>
<td><strong>Ongoing Financing:</strong>&lt;br&gt;• Financial Sector Safety Net (FY20-25)&lt;br&gt;• Landscapes and Livelihoods GEF (FY21-28)&lt;br&gt;• Reducing Rural Poverty &amp; Malnutrition (FY19-24)</td>
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