

Final Review

The Implementation of the Vienna Programme of Action
(2014 - 2024)

Lao People's Democratic Republic

Vientiane Capital

August 2023

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I. Executive Summary

The Lao People's Democratic Republic (Lao PDR) is at an important stage of the national development planning process. 2021 marked the commencement of the five-year plan (9th NSEDP 2021-2025) and the Government of Lao PDR (GoL) is currently preparing the Mid-Term Review of the 9th NSEDP. The implementation of the National Development plan in 2022 and 2023 has been dominated by the challenges associated with impacts of the COVID-19, conflicts, rising geopolitical tension, climate change, natural disasters, economic and financial difficulties and the transition from Least Developed Country status, which Lao PDR hopes to achieve.

For Lao PDR, achievements and progress made in the implementation of the Vienna Programme of Action (VPoA) 2014-2024 as well as other internationally agreed agendas namely the 2030 Agenda for Sustainable Development within the frameworks of the 8th and 9th NSEDP have been severely impacted. For the past years, although the GoL has actively implemented SDGs and made progress in some areas, particularly on poverty reduction, achieving SDGs will be a challenging task with the impact of COVID-19 and other on-going challenges in the regions, the more recent food, fertilizer, fuel crisis and the country's economic and financial difficulties.

In addition, along the way, following a recommendation by the Committee for Development Policy of the United Nations (CDP) at its 2021 Triennial Review (E/2021/33), endorsed by the Economic and Social Council (ECOSOC) in Resolution E/RES/2021/11, Lao PDR is now set to graduate from LDC category in 2026, meeting all three graduation criteria (GNI, HAI, and the Economic and Environmental Vulnerability Index (EVI)) by a considerable margin.

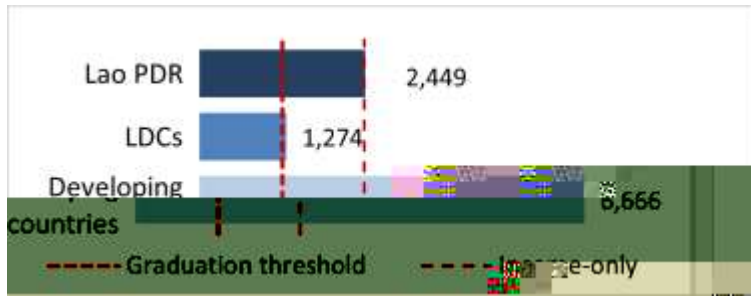
Amidst this challenging time, it is critical

has constantly been working on its transport and logistic development plan to reflect the socio-economic needs of the country. The Transport and Logistic Development Plan (2016 – 2020) was drafted with reference to VPoA, inter alia, to ensure its plan is linked to that of VPoA priorities and action areas. In addition, the GoL has put in place existing mechanisms to carry out this VPoA review taking into account the progress and achievements made from sectoral strategies. In particular, the line ministries have been working closely with their respective departments to ensure the completion of the review processes.

In this regard, this version of the VPoA review builds on key issues from the mid-term review of the VPoA done in 2019, the conclusion of the 8th NSEDP, and the key commendations from the Second SDG VNR

Building upon the lessons learnt from Trade Facilitation Strategic Plan (TFSP) for 2011-2015, the Trade Facilitation Road Map of Lao PDR for 2017-2022 adopted by Ministry of Industry and Commerce (MOIC) also reflects the priority areas of VPoA as seen in the efforts to remove the non-physical barriers and improve on the delays and inefficiencies associated with border crossings and ports, including customers procedures and documentation requirements. In the same vein, many ministries have their own strategies and action plans with many elements directly linked to the priority areas of VPoA.

To ensure the coherence and the linkages between VPoA and other regionally and international agreed development goals and commitments that bring about the most effective use of resources, the GoL, in the process of identification and localization of SDGs, harmonizes similar agendas through cross-referencing with regional and international frameworks such as the Istanbul Programme of Action (IPoA), Addis Ababa Action Agenda (AAAA), Partnership for Effective Development Cooperation framework, S0 G[-(e)4(rn)-1 0 8g32(P)-3()0)-4(t)4d.-3(o)3(o)3(i0.000009



space for development investments and worsened Lao PDR's exposure to shocks, with plunging international reserves of foreign exchange. This macroeconomic and financial instability led Lao PDR to leverage natural resource extraction for revenue while the country has been

The GoL has taken steps to mitigate and recover from the COVID-19 and the 4F crisis, through a Multi-Stakeholder Taskforce on the recalibration of the 9th NSEDP to COVID-19 in 2020. This initial exercise, in the context of the long-term impacts of COVID-19 and additional shocks, led to the formulation of the Lao PDR Resilience Framework (2023-2025), finalized at the end of 2022, and expected to inform the 9th NSEDP Mid-Term Review and Annual Implementations Plans.

Lao PDR's financial difficulties, marked by limited revenue generation and others, have been aggravated by the exogenous shocks above-mentioned to now represent a substantial obstacle to continued development progress. In particular, the recent depreciation of the kip is exacerbating an already elevated debt burden that is largely denominated in USD. This builds on

transit policy frameworks with key international conventions and supporting trade and transport facilitation.

Among a number of international conventions and agreements that address fundamental transit policy issues, namely the WTO Trade Facilitation Agreement (2013), Revised Kyoto Convention (1999), Customs Convention on the International Transport of Goods under Cover of TIR Carnets (1975), International Convention on the Harmonization of Frontier Controls of Goods (1982), and Convention on Road Signs and Signals, Lao PDR have over the past years ratified 3 of the above-mentioned. These include the International Convention on the Harmonization of Frontier Control of Goods in 2008, the WTO Agreement on Trade Facilitation in 2015, the Revised Kyoto Convention in 2016 and The Intergovernmental Agreement on Dry Ports in 201.

Lao PDR has also signed the Greater Mekong Sub-regional Cross-Border Transport Agreement (GMS-CBTA) which aligns itself with all key international conventions on cross border transport such as Conventions on Road Traffic, Road Signs and Signals, the TIR, and Harmonization of Frontier Control of Goods as earlier mentioned.

Furthermore, in order to control and regulate both the domestic and international road transport operations and road traffic, the GoL enacted the Transport Law, Road Law and Traffic Law, Post and Telecom Law, and Civil Aviation Law and Railway Law effectively and efficiently. A number of decrees, rules, and regulations have also been issued for the sector's efficient management and control. To date, the Lao PDR has concluded, except with Myanmar, bilateral transport agreements with all of its neighbors:

5.2.1 Transport Infrastructure

As targeted in the VPoA, it is vital for the country to significantly increase the quality of roads including the share of paved roads, expand and upgrade the railway infrastructure, and complete missing links in the regional road and railway transit transport networks. This aligns with the view of Lao PDR that transport infrastructure is a sector that will turn the country's challenges from being a landlocked country into an opportunity for regional and international integration and connectivity, through the opportunities provided by land and air transport links.

The GoL is determined to transform its land-locked to land-linked by promoting the perception that the country is a land bridge, proving the most direct overland transport routes between its seaboard neighbors. Recent progress in regional transport links engineered under the Greater Mekong Subregion (GMS) initiatives underpins Lao PDR's transition to being a land-linked country and economy. The USD 5.8 billion high-speed railway from Vientiane to the border with the People's Republic of China and (for freight) on to Kunming officially opened in December 2021, representing a meaningful step toward transforming Southeast Asia's only landlocked country into a land-link across the region. Roads connecting Vietnam, China, and Thailand have been opened and improved. Road transport remains at the core of the country's policy. The MPWT has been actively engaged in the improvement of road asset management through the assistance from various donors including the WB, JICA, and ADB, which support MPWT to strengthen its capacity at both central and local levels to manage national and local road improvement and maintenance.

The Department of Road (under the MPWT) has developed and drafted the 5-year plan 2021 – 2025 and established Vision 2035 to develop road networks to be highly effective, climate change resistant, connected, safe and sustainable. It intends to lead the sector in implementing activities to build climate resilience in order to ensure that roads are connected, safe and sustainable and has set goals as follows: i.) development of regional and international transportation links; ii.) development of transportation routes to connect within the country; iii.) development of climate resilient road infrastructure; iv.) rehabilitation and maintenance of existing road infrastructure sustainable use; v.) mechanism of monitoring, managing and restricting overloaded vehicles; vi.) development of road safety; and vii.) capacity development to strengthen road sector.

- ◁ Roads: Lao PDR's major national roads as recently updated on 20 March 2022 are Routes No. 1A, 1B, 1C, 13N, 13S, 2W, 2E, 3, 4, 6, 6A, 6B, 7, 8, 9, 10, 11, 12, 15, and 16. Route No.13 with the length of about 1,500 km, in particular, is regarded as a national backbone. It serves as the spine of the national road system linking every province in the north of the country (China-Lao border) to every south (Cambodia-Lao border) connecting main hub cities together such as: Oudomxay, Luangpabang, Vientiane Capital, Thakek, Savannaket

infrastructure including paved, concrete, asphalt concrete and double Bituminous surface treatment roads to 5,721.13 kms in comparison with 5,146.91 km in 2014.

- ◁ Expressways: Remarkable progress indicates in the Laos-China railway and the Vientiane Capital-Vang Vieng expressway which advance the country in term of transporting domestically produced goods and transit goods to neighboring countries,

- ◁ Dry ports: Lao PDR has been investing in the development of dry ports as a key component of its transportation infrastructure. In particular, the Savannakhet, VangTao and Thanaleng dry port with a new international standard and part of an integrated logistics facility, aimed at further enhancing the country's logistics capabilities. The country sees the development of logistic dry ports as an important part to become a

economic corridors; and collaborate with public and private stakeholders to develop labor skills in line with the development needs in each area; and improve and disseminate legislation and regulations related to employers and employees to raise awareness of the rights and interests of investors and workers.

5.2.2 Energy and Information and Communications Technology (ICT) Infrastructure

In order to expand and upgrade transmission and supply of modern and renewable energy services in rural and urban areas, make broadband policy universal, promote open and affordable access to internet for all, and address digital divide in reference to the VPoA, Lao PDR has achieved significant progress in the development of energy and ICT infrastructure.

- ◁ Energy infrastructure: efforts have been made to increase the production and consumption of clean energy and study the potential of production and consumption of energy along with energy export, as Lao PDR has a high level of potential for electricity generation. Lao PDR achieved 100 percent access in 2020 of the nation-wide districts and 95 percent of household in 2023. According to the assessment of the 8th NSEDP, over the past five years, Lao PDR has been able to export electricity to five countries (Thailand: 123,384 million kwh worth USD 6,877 million, Viet Nam: 4,926 million kwh worth USD 266 million, Cambodia: 1,160 million kwh worth U

facilitating communication connections from central to provincial and district centers. The coverage of 2G, 3G, and 4G networks has also been extended to 97%, 85%, and 76% of all villages nationwide respectively.

There are currently 1.237.964 fixed phone subscriptions, including wired and wireless fixed telephone, and 4.950.894 mobile subscriptions, bringing the total number of fixed and mobile telephone subscribers to 6.319.594, equivalent to 90 numbers per 100 people. The number of internet users has reached 4.452.651, including fixed wired broadband and active mobile internet or 3G SIM, representing a penetration rate of 63% of the total population of 7 million.

The National Internet Center has completed several integration and security projects, including the renewal of its ISO27001 information security standard certificate twice and being audited five times by the Internal Auditor. The domestic gateway for internet traffic has been expanded, and the international telephone and internet hubs have been upgraded to accommodate all domestic and international connection volumes. The storage area of the cloud system has been expanded by 45 TB, resulting in an 11% increase (30% of the plan). The website hosting service has also been expanded, enabling support for 200 more websites.

Lao PDR has made significant strides in its transmission networks, with 18 points connecting to neighboring countries for telecommunication and internet communication. Thailand has six points, Vietnam has five, Cambodia has two, Myanmar has two, and China has three. The installation of ICT facilities and other technology equipment has also progressed in various sectors. The establishment of the Lao Computer Emergency Response Team (LaoCERT) has been completed to manage and prevent cybercrimes; and became a member of the Asia-Pacific Computer Emergency Response Team (APCERT). Laws and policies have been developed to improve innovation, including the Law on Intellectual Property and the Law on Science and Technology. Amendment laws have been drafted, including the Law on Telecommunications, the Law on High Technology, and the Law on Electronic Transactions.

by new projected losses from the Chinese market, within three core industries: latex and rubber, paper, cereals. China has indeed granted specific duty-free and quota-free market access to LDCs, which are much more favourable than under the ASEAN free-trade agreement with China or the Asia-Pacific Trade Agreement⁶.

The study also confirms that trade with the EU may be impacted moving from the Everything but Arms regime to the General System of Preferences, with an anticipated reduction of exports of USD 121.7 million. Minor impacts are expected on trade with the United Kingdom (USD 11.4 million), Japan (USD 10.3 million) and Canada (USD 5.1 million).

While these new findings reveal a much larger than anticipated trade impact from graduation, Lao PDR has sufficient time to implement effective mitigation measures, to negotiate the continuation of these trade preferences for a few years and to strategically diversify its export portfolio, reshape trade policy and promotion to access new markets. The study indeed finds an estimated USD 1.4 billion of “unrealised export potential” attributable to non-tariffs barriers. Diversification of Lao PDR’s exports, in line with the country’s planned structural economic transformation, and negotiations with key partners on trade preferences (e.g., GSP+) would help to limit losses.

5.3.2 Trade Facilitation

In recent years, the Lao PDR has been actively working to improve its trade facilitation processes, simplifying and streamlining international trade procedures through the development of appropriate policies, procedures, and infrastructure to attract more foreign investment and improve its global competitiveness. Several measures have been undertaken, in particular to modernize the border crossings and upgrade customs procedures. The country has implemented an Electronic Single Window system that allows traders to submit all required declarations and supporting documents digitally which helps reduce processing times and facilitate the exchange of information among government agencies. However, there are still rooms for improvement, particularly regarding cross-border infrastructure and reducing non-tariff barriers to trade along with the challenges including a lack of skilled personnel, weak logistics infrastructure, and limited capacity for conducting inspections and tests.

Setting the target to realize trade environment and facilitation, the country focused on coordinating on regulations and procedures for issuing licenses and permits, and certificates for the import and export of goods to be more simplified and agile, aiming to reduce the time required for export and import formalities by at least 50% and reduce the cost and documentation requirements for exports and imports by at least 30% in 2022 in accordance with the Trade

⁶ One key assumption of this study (and all impact assessments to date in fact) is that trade preferences are 100% used by Lao exporters, which is unclear at this stage, especially as the Chinese preferences for LDCs are recent mechanisms. This warrants more research on current usage of trade advantages in core industries.

Facilitation Roadmap of Lao PDR 2017-2022. When it is found that the regulations, procedures, processing time, cost, and documentation requirements for issuing licenses, permits and certificates are deemed unreasonable and duplicating, they shall be amended or eliminated. The effort also pertains to continuing to effective implementation of the Trade Facilitation Secretariat's Action Plan, including the implementation of commitments and obligations under the WTO, ASEAN, Greater Mekong Sub-region (GMS), and bilateral trade agreements.

In order to improve trade facilitation mechanisms and reduce business costs, Lao PDR also attaches the importance on promoting the use of ICT information systems in the administration, communication and technical services such as: Lao National Single Window (LNSW), Electronic Certificate of Origin (e-CO) and e-Trade to create a more standardized and convenient information system that will enable the business sector to reduce the cost of doing business in various fields; improving the necessary legislation related to production, trade, fair competition and services in line with international standards, in particular the various regional and international trade cooperation frameworks and conventions that Lao PDR has ratified or acceded to; and developing the skills and discipline of personnel , improve service facilities to be convenient and centralized in all activities, and establish units to receive feedback and suggestions, and set up consulting kiosks to provide advice to the business sector in addressing bottlenecks and to facilitate starting a business and trade.

Lao PDR's ranking in the Ease of Doing Business Index has deteriorated from the 134th place in the beginning of 2016 to 154th in 2020. Improvements in some of the 10 indicators have been delayed, such as applying for investment licenses, which still takes a long time and exceeds the



- (3) Sub-regional cooperation promotion project;
- (4) Project to promote the integration of standards and quality of industrial products and production networks into regional and international systems;
- (5) Export promotion negotiations project;
- (6) Project to promote and develop cross-border trade and trade services related to logistics in the era of integration and connectivity;
- (7) Promoting the use of modern technology for quality infrastructure investment planning and monitoring (ADB) (Ongoing project);
- (8) CLV Cooperation Framework (Ongoing project);
- (9) REDD + Project (JICA) (Ongoing Project)

5.5 Priority 5: Structural Economic Transformation

The long-term sustainability of Lao PDR's growth would depend on economic structural transformation related to diversification of production and trade, driven by the proactive and effective implementation of the National Socio-Economic Development Plans. Nevertheless, the economic structure has not yet shifted towards industrialization and modernization, which can be noted in the share of the agricultural sector in the economic structure which has increased from 15.8% in 2016 to 16.6% in 2020; while the share of the industrial sector decreased from 33.7% in 2016 to 33% in 2020 and the share of the service sector decreased from 40.3% in 2016 to 39.5% in 2020.

Lao PDR sees that creating a conducive environment in a systematic manner, including the formulation of coherent policies and mechanisms, and establishing a clear and comprehensive database and effective economic structure is important in attracting both domestic and foreign investment. Thus, it needs enhancing the implementation of the strategy for developing a modern industry in the direction of Industry 4.0. The quality of the national economy must be developed by transforming the economic structure towards industrialization and modernization, increasing economic diversification in the production and service sectors with high efficiency and added value in line with the potential of the country. Focus has been given to promoting industrial processing sectors linked to regional and international value chains and other potential sectors that can be further explored such as agriculture and tourism to generate revenue and foreign exchange earnings, create jobs for a large number of people, and substitute imports. In addition, Law on MSMEs Promotion has been adopted to promote and strengthen the MSMEs sector, supporting their economic recovery from economic and financial difficulties in the country and the impact from the Covid-19 pandemic in the past years. As tourism is the one of the main potentials of the country, the GoL also promotes tourist sector and create necessary facilities to prepare the up-coming Lao Tourism Year in 2024.

Lao PDR has also been putting the efforts to diversify its economy by reducing its reliance on natural resources to make growth sustainable, while minimizing external impacts and increasing productivity, as well as shifting towards sectors that promote and drive economic growth which aim to be realized with the use of modern technology, in order to create more jobs, build connections with other sectors of the economy and integrate into regional and international value chains and transportation logistics processes. Nonetheless, in the coming years, the country will still need to use natural resources for economic and social development but will use them responsibly in line with sustainable and green growth directions. In this regard, the GoL has initiated several actions to promote a green economy, sound management of natural resources, and to transform the current development model to ensure greater environmental sustainability. New sectoral development strategies were recently developed and launched including the Green and Sustainable Agriculture Framework and Electric car use policy for Lao PDR to 2030. As of 2022, there were 18 companies conducting businesses on electric vehicle charging stations and there are 20 charging stations, 6 stations are under construction and 6 stations are under survey and studies, the total number of electric vehicles are 3.201. Electric vehicles are expected to account for 1% of all automobiles in Lao PDR by 2025, and over 30% by 2030.

Agricultural sector: agriculture has seen considerable progress, but due to natural disasters affecting production, the yield of some crops declined- the 5-year average rice production was 3.7 million tons per year (2016: 4.14 million tons; 2017: 4.05 million tons; 2018: 3.27 million tons; 2019: 3.53 million tons; and 2020: 3.5 million tons (target: 4.35 million tons/year)). Nevertheless, rice production has been able to meet domestic consumption needs, with reserves, and surpluses for sale. Livestock production saw strong growth, especially cattle rearing, which increased from 1.92 million cattle in 2016 to 2.18 million cattle in 2020, and fish farming increased from 164,000 tons in 2016 to 207,000 tons in 2020. Considering the fact that Lao PDR is rich in arable land and has a relatively large land area for production due to low population density, it makes the country favorable for agricultural production, especially for clean, modern, and sustainable agriculture, which is increasingly in demand in the domestic and international markets. Lao PDR has benefited from various preferential tariff schemes particularly the quota-free and duty-free market access for agricultural products to China and exports to the European Union. Over the past years, due to limited productivity, budget and technological capacities, and the impact of natural disasters, agricultural production has been unstable and unable to meet export demand and quality. However, the agricultural sector still is a potential sector that can be further leveraged to maximize the benefits of the trade privileges that Lao PDR enjoys, as well as to generate more income and jobs for the people.

The key priorities are to continuously develop and expand the processing industries that are connected to the regional and international value chain networks, including the current potential industries such as food and beverage, textile and garment, construction materials, and agro-forestry processing. Promote the goods and services production with high growth opportunities that help reduce imports;; to promote the production of One District, One Product traditional and unique handicraft products to promote local knowledge and link them to tourism, such as: silk fabric, wood 53 carving, accessories and souvenirs, weaving tools, pottery, traditional food, and traditional weaving; to encourage investment in Special Economic Zones, and industrial zones and industrial estates to establish a production base for export, especially the production chain sectors related to MSMEs and international production networks and direct buyers, while ensuring that any tax exemptions are based on the direction of expanding the tax revenue base and protecting workers' rights; to enhance efforts towards building Smart Cities, study and develop dry ports and warehouses, and loading-unloading facilities along the Laos-China railway; to promote the energy and mining sector, particularly ensuring development of solar energy and waste-to-energy technologies, and increase the efficiency of pre-export mineral processing by ensuring markets for exports and supporting the establishment of processing plants or smelters to generate products for domestic consumption and export; and to focus on building infrastructure to strengthen domestic connectivity, as well as regional and international connectivity, and building infrastructure needed for rural development and poverty alleviation.

Service sector: the service sector has grown continuously and accounts for the largest share in the economic structure and job creation. The average number of tourists visiting Lao PDR is 2.64 million per year (NA approved target: 6 million tourists per year), with 4.23 million tourist arrivals in 2016, 3.86 million in 2017, 4.18 million in 2018, 4.79 million in 2019, and 0.88 million in 2020, which is a decrease of 81.49% compared to year 2019, generating an average of USD 673 million in tourism revenue (NA approved target: USD 953 million). The reason for the shrinking number of tourists in 2020 was the COVID-19 pandemic, which caused airlines around the world to suspend travel and services. Lao PDR faced during 2020-2021 unemployment in the tourism sector, with about 22% of the urban workforce. In addition, revenue from the tourism sector significantly reduced, with many tourism businesses, including hotels, guesthouses, and restaurants unable to do business and so terminating their services.

Therefore, it is necessary to take advantage of the emerging opportunities, especially from the Laos-China railway (Boten-Vientiane Capital section) and the Vientiane Capital-Vang Vieng expressway in an effective manner in order to maximize the growth potential for tourism, and goods and passenger transportation. The Laos-China railway operational since December 2021 – has helped increase both internal and foreign tourists, and it is expected that this railway may

now help deliver anticipated trade benefits and boost up the tourism sector. Focus have been given to developing and improving infrastructure, tourism facilities, as well as upgrading the services of hotels, restaurants, and travel agencies to a high-quality and modern standard; improve and develop tourist attractions, in particular focusing on eco-tourism, and cultural, historical, and agricultural tourism related to participatory conservation tourism, as well as to create a variety of tourism products, and increase the use of local products, raw materials, and

To address these challenges, the GoL has taken various measures to improve its capacity for mobilizing domestic resources, including the initiatives focusing on improving revenue administration and increasing tax compliance across all sectors, initiating new schemes to generate additional sources of finance namely via collaborative domestic resource mobilization. The GoL will need to review tax incentives that have encouraged investment by foreign companies and other entities in various sectors of the economy in light of their fiscal costs.

Policies to increase fiscal space for investments in the priorities set out in the 9th NSEDP are in the 9th NSEDP Financing Strategy. They include:

- ◁ The assessment of fiscal costs and review, harmonization, and update of the laws, regulations, and processes, to broaden the tax base and abolish and renegotiate CIT and other fiscal exemptions.
- ◁ The harmonization of tax rates to optimize revenue generation while fostering private sector development and investments in priority sectors and green growth, including the assessment of expected revenues generated, business registrations, administrative feasibility, and impacts on livelihoods of a potential restoration of the VAT rate to 10%.
- ◁ The reassessment and possible termination of all public and public-private investment

- ◁ Cooperation with Bangladesh and Nepal on LDC graduation to exchange on best practices and jointly articulate required support from the international community.
- ◁ Infrastructure development support by neighboring countries.

VI. Monitoring of implementation and review

The GoL takes an active role in the commitment of the VPoA and other international agreed agendas and frameworks. The final review of VPoA is an opportune time for the Lao PDR to take stock of its progress and critical challenges that need to address and greater attention. In terms of its monitoring of implementation, although there has yet been the specific LLDC-led mechanism in place at the national level, VPoA actions and policies have been well implemented by the GoL and relevant sector. Specifically, those policies and activities of VPoA have already been linked and aligned to the National Socio-Economic Development Plan, the National SDGs implementation plan and other



ambitions, support and assistance from the international financial institutions and donor countries continue to be pivotal and will make significant contribution.

Way Forward

As identified by the progress made in the implementation of the VPoA, the Lao PDR will further focus on:

Infrastructure development as a critical factor for the country to overcome certain geographical disadvantage and to connect with global markets. Therefore, continued investment in infrastructure development, such as building or upgrading roads, railways, airports, and telecommunication systems will remain one of the priorities in the coming years. By improving infrastructure, it will enable the country to reduce the cost of doing business, attract foreign investment, and promote trade;

Regional connectivity through building a network of national roads, railways, waterways and airways with many different routes and quality to promote connectivity with

