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# Lao PDR Systematic Country Diagnostic



**WORLD BANK GROUP**

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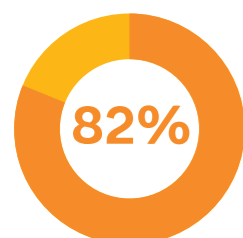
## CONTEXT

In recent years, Lao PDR has made significant development advances. Gross Domestic Product (GDP) growth averaged 7.8 percent per year over the past decade, making Lao PDR the 13th fastest-growing economy globally. Incomes rose, poverty declined, and access to some basic services, including education, health, and infrastructure, improved considerably.

However, the increase in incomes for most of the population was not commensurate to the GDP growth. Growth was driven by natural resources with limited job creation. Agriculture employed most of the workforce, and productivity was stagnant. Loss of revenue and weak public financial management also prevented sharing benefits of growth. As a result, poverty reduction was slower compared to peers.

Malnutrition continues to be high, and the risk of falling into poverty is a reality for a large part of the population. Growing public debt burden, systemic risks in the financial sector, and low reserve buffers may test macroeconomic stability which can ignite inflation, lower living standards, and hurt public services delivery. Continued environmental degradation and climate change will also pose challenges.

## QUICK FACTS



82% of workers are in agriculture or self-employment

Only 160,000

non-agriculture wage jobs in the private sector were created between 2002 and 2012



For every percent of GDP growth, poverty in Lao PDR declined by 0.4%.



44% of children under five were stunted in 2012.



35% of girls aged 18 were married.



Lao PDR is now a lower-middle-income country with a Gross National Income (GNI) per capita of US\$1,740 in 2015.



Extreme poverty fell from 46% in 1992 to 23% in 2012/13.



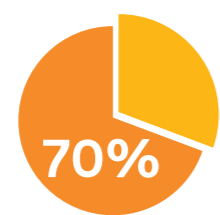
Primary school enrollment rose from nearly 60% in 1992 to 99% in 2011.



Maternal and child mortality are now less than half of their levels in the early 1990s.



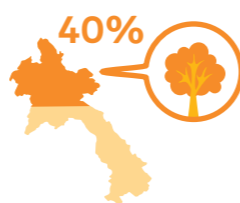
Electrification now exceeds 90% of households.



Public debt is approaching 70% of GDP.



Number of banks, including state-owned banks, have low capital buffers and growing non-performing loans.



Forest cover has fallen from 70% in 1940 to around 40% of the territory in 2010.

## TOP PRIORITIES



Promoting strategic use of natural resources and responsible management of the environment



Increasing agricultural productivity to support incomes



Investing in improving nutrition to achieve children's full potential



Improving quality of education and keeping girls in school



Putting public debt on a sustainable path, strengthening financial sector stability, and competitive exchange rate

## HIGH PRIORITIES



Making it easier to do business and create good jobs



Investing in infrastructure for growth and inclusion

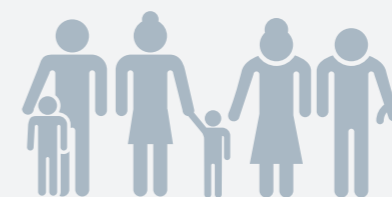


Improving access to and quality of health services for more productive people

## MEDIUM PRIORITIES



Putting in place a strengthened disaster risk management



Introducing a basic social protection system to lower vulnerability



Improving inclusiveness of the financial sector to improve access to credit and lower risks

< Enhancing governance and creating a rules-based environment >

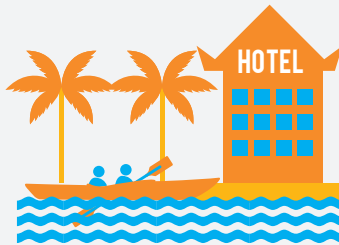
# PATHWAYS TOWARDS MORE INCLUSIVE GROWTH

1



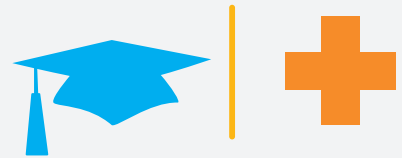
Sustainable and Efficient  
Management of Natural Resources

2



Unlocking the Potential  
in Non-Resource Sectors

3



Building the Assets of the People to be  
able to take on increased opportunities,  
reduce risks and protect gains

Strengthening institutions will be key to progress. This should include improving institutions to manage macroeconomic volatility, strengthening accountability of service providers, and ensuring a level-playing field to promote competition.

Agricultural productivity lags behind other countries in the region, so this area has great potential. Strategic and responsible use of natural resources is also critical to growth and livelihoods. Improving nutrition should be a top priority, as 44 percent of under-five-year-olds were stunted in 2012. More and better education can improve agriculture and prepare people for the transition toward non-farm jobs. Finally, addressing risks in the fiscal and financial sectors will ensure stability of growth and public services.

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