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.
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.

**CONTACT US:**

The World Bank Group Lao PDR Country Office  
East Asia and Pacific Region  
Xieng Ngeun Village, Chao Fa Ngum Road  
Chantabouly District, Vientiane, Lao PDR  
Email: worldbanklaos@worldbank.org  
Tel: (+856-21) 266 200