



# Country Partnership Strategy

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August 2017

## Lao People's Democratic Republic, 2017–2020 —More Inclusive and Sustainable Economic Growth

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 29 August 2017)

Currency unit	–	kip (KN)
KN1.00	=	\$0.00012
\$1.00	=	KN8,296

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AEC	–	ASEAN Economic Community
ASEAN	–	Association of Southeast Asian Nations
CKP	–	country knowledge plan
COL	–	concessional OCR loan
CPS	–	country partnership strategy
FDI	–	foreign direct investment
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
IMF	–	International Monetary Fund
KPS	–	knowledge product and service
Lao PDR	–	Lao People's Democratic Republic
LDC	–	least-developed country
MSMEs	–	micro, small, and medium-sized enterprises
NSEDP	–	national socio-economic development plan
PPP	–	public–private partnership
PRI	–	productive rural infrastructure
RCI	–	regional cooperation and integration
SDG	–	Sustainable Development Goal
TA	–	technical assistance
TVET	–	technical and vocational education and training
VDPEDC	–	Vientiane Declaration on Partnership for Effective Development Cooperation
WSS	–	water supply and sanitation

## NOTES

- (i) Until 2016, the fiscal year (FY) of the Lao People's Democratic Republic ended on 30 September. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY 2015 ended on 30 September 2015. From 2017, the FY has changed to calendar year.
- (ii) In this report, "\$" refers to United States dollars.

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## COUNTRY AT A GLANCE

<b>Economic</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>a</sup></b>
GDP (\$ billion, current)	9.45	10.81	11.74	12.56	13.72
GDP per capita (\$, current)	1,445	1,713	1,835	1,912	2,027
GDP growth (% , in constant prices)	7.9	7.9	7.4	6.7	6.8
Agriculture	3.3	3.5	2.9	2.0	2.5
Industry	11.4	9.7	8.5	8.0	8.0
Services	9.3	9.7	9.0	8.5	9.0
Gross domestic investment (% of GDP)	...	...	...	...	...
Gross domestic saving (% of GDP)	...	...	...	...	...
Consumer price index (annual % change)	4.3	6.4	4.2	1.3	1.6
Liquidity (M2) (annual % change)	31.0	18.8	23.4	14.7	10.9
Overall fiscal surplus (deficit) (% of GDP) <sup>b</sup>	(0.5)	(5.6)	(4.5)	(2.7)	(5.9)
Merchandise trade balance (% of GDP)	(32.5)	(32.1)	(27.8)	(27.2)	(18.0)
Current account balance (% of GDP)	(29.9)	(29.6)	(20.7)	(16.8)	(14.1)
External debt service (% of exports of goods and services)	9.3	13.6	12.8	12.3	20.6
External debt (% of GDP) (nominal)	79.8	86.9	92.7	95.5	98.1

<b>Poverty and Social</b>	<b>Earlier Year</b>	<b>Latest Year</b>
Population (million)	5.6 [2005]	6.49 [2015]
Population growth (annual % change)	2.08 [2005] <sup>c</sup>	1.45 [2015] <sup>c</sup>
Maternal mortality ratio (per 100,000 live births)	405.0 [2005]	197.0 [2015]
Infant mortality rate (below 1 year/per 1,000 live births)	70.0 [2005]	57.0 [2015]
Life expectancy at birth (years)	61.0 [2005]	63.5 [2015]
Adult literacy (%)	72.7 [2005]	84.7 [2015]
Primary school gross enrollment (%)	94.1 [2010]	97.9 [2016]
Child malnutrition (% below 5 years old, stunting)	40.0 [2006]	44.0 [2012]
Population below poverty line (%)	27.6 [2008]	23.2 [2013]
Population with access to safe water in urban area (%)	69.6 [2011]	86.0 [2015]
Population with access to sanitation in urban area (%)	61.5 [2011]	71.0 [2015]

<b>Environment</b>		
Carbon dioxide emissions ('000 tons)	2,174	[2013]
Carbon dioxide emissions per capita (metric tons per capita)	0.33	[2013]
Forest area (million hectares)	9.5	[2010]
Urban population (% of total population)	33	[2015]

<b>ADB Portfolio (active loans and ADF grants)<sup>d</sup></b>	<b>As of 31 December 2016</b>
Total number of loans and ADF grants	32
Sovereign	30
Nonsovereign	2
Total loan and ADF grant amount (\$ million, cumulative) <sup>e</sup>	853.36
Sovereign	709.36
Nonsovereign	144.00
Disbursements	
Disbursed amount (\$ million, 2016)	56.12
Disbursement ratio (%)	13.73

... = not available, ( ) = negative, [ ] = latest year for which data are available, ADB = Asian Development Bank, ADF = Asian Development Fund, GDP = gross domestic product, M2 = broad money.

<sup>a</sup> Estimates.

<sup>b</sup> Estimates.

<sup>c</sup> 10-year average preceding the year indicated.

<sup>d</sup> Covers ADF and ordinary capital resources financing for projects and programs, including policy-based lending.

<sup>e</sup> Net of droppages and cancellation.

Sources: International Monetary Fund. 2017. *Lao People's Democratic Republic Staff Report for the 2016 Article IV Consultation-Debt Sustainability Analysis*. Washington, DC; Ministry of Industry and Commerce, *Imports and Exports data*; Lao Statistics Bureau; *Statistical Year Book 2015*; World Bank and ADB estimates.

## I. COUNTRY PARTNERSHIP STRATEGY SNAPSHOT

1. **Development challenges.** The Lao People's Democratic Republic (Lao PDR) has leveraged its substantial natural resource endowments to generate high economic growth and to reduce poverty, but as the country moves forward, growth needs to be more inclusive and sustainable. To achieve this, the Lao PDR must (i) diversify its resource-based economy and strengthen macroeconomic resilience; (ii) develop infrastructure to facilitate private investment; improve productivity, and widen access to markets and social services; (iii) accelerate legal and regulatory reforms to improve the investment climate for the private sector; (iv) improve public sector management to enhance the quality and coverage of public services; (v) develop human capital in terms of a healthy and productive labor force with relevant skills and competencies; and (vi) address environmental degradation and climate change.

2. **Alignment of the engagement of the Asian Development Bank.** The overall goal of the Lao PDR's Eighth Five-Year National Socio-Economic Development Plan (NSEDP), 2016–2020 is to move upward from its least-developed country (LDC) status by 2020 (para.18). The NSEDP localizes United Nations Sustainable Development Goals (SDGs), and incorporates the Nationally Determined Contributions to the Paris Agreement under the United Nations Framework Convention on Climate Change.<sup>1</sup> The proposed country partnership strategy (CPS) of the Asian Development Bank (ADB) for the Lao PDR, 2017–2020 aligns with the inclusive and sustainable growth agenda of the NSEDP and ADB's Strategy 2020 midterm review action plan.<sup>2</sup> It incorporates lessons from past CPSs and their evaluations.<sup>3</sup> It has also benefited from the ongoing work and consultations on ADB's Strategy 2030.

3. **Strategy.** The CPS blends knowledge with finance to help the government achieve the NSEDP outcomes with its main objective of more inclusive and sustainable economic growth. Under the CPS, ADB operations will focus on (i) improving physical connectivity to catalyze private sector investment in the economy to generate employment and income, (ii) developing skills that support growth in the non-resource sectors and improving access to health services to enhance labor productivity, and (iii) ensuring sustainable natural resource management and climate resilience. Gender equity and governance are crosscutting themes. The CPS will flexibly respond to government priorities as they evolve. The figure in section III shows how the CPS strategic priorities (i) align with the NSEDP, (ii) address key development challenges, and (iii) incorporate lessons from past ADB operations. Strict adherence to project readiness filters will accelerate project start-up and increase operational efficiency.

4. **ADB's value addition.** ADB assistance will build on its long-standing institutional support for the Greater Mekong Subregion (GMS) Economic Cooperation Program, especially trade and investment promotion, health security, and policy dialogue for effective environmental management. The CPS's geographic focus along the GMS economic corridors will accelerate regional integration and help lagging areas in poorer provinces narrow development gaps. ADB will generate synergies among its operations and complement other development partner assistance.

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<sup>1</sup> Government of the Lao PDR, Ministry of Planning and Investment. 2016. *Eighth Five-Year National Socio-Economic Development Plan, 2016–2020*. Vientiane.

<sup>2</sup> ADB. 2014. *Midterm Review of Strategy 2020 Action Plan*. Manila.

<sup>3</sup> ADB. 2010. *Country Assistance Program Evaluation for the Lao People's Democratic Republic: Sustainable Growth and Integration*. Manila; ADB. 2015. *Lao PDR: Country Partnership Strategy, 2012–2016 Final Review*. Manila; and Independent Evaluation Department. 2016. *Lao PDR: Country Partnership Strategy Final Review Validation, 2012–2016*. Manila: ADB.

## II. COUNTRY DEVELOPMENT CONTEXT

### A. Economic and Social Update

5. **Drivers of economic growth.** Stable economic growth increased gross domestic product (GDP) per capita from \$621 in 2006 to \$2,027 in 2016. The main driver of economic growth is the resource sector, particularly mining, timber extraction, and hydropower. While the economy is slowly diversifying into retail and wholesale services, tourism, and construction, given the country's large untapped hydropower development potential and mineral endowments, it is expected the resource sector will continue to underpin economic growth in the 2030s. However, despite its small domestic market (with a population of 6.5 million and low population density), the Lao PDR has significant opportunities to diversify the economy by expanding trade with more populous GMS neighbors and boosting private investment particularly micro, small, and medium-sized enterprises (MSMEs).

6. **Macroeconomic situation.** The Lao PDR has had a strong track record in sustaining a high level of economic growth and managing inflation. During 2011–2016, the average GDP growth rate was 7.5% and inflation averaged 4%. However, the country faces three major issues:

- (i) It has accumulated high fiscal and current account deficits. Fiscal deficits increased from 0.5% of GDP in 2012 to 5.9% in 2016. The government is trying to consolidate its fiscal position by streamlining its institutional setup to enhance revenue collection and improve public expenditure management. Current account deficits, at 14.1% of GDP in 2016, are mainly due to high capital goods imports for hydropower projects financed by foreign direct investment (FDI).
- (ii) Public and publicly guaranteed debt stock increased from 56.0% of GDP in 2012 to 67.8% in 2016.<sup>4</sup> The 2016 International Monetary Fund (IMF)–World Bank debt sustainability analysis reclassified the Lao PDR's external debt distress from moderate to high risk.<sup>5</sup>
- (iii) The Lao PDR needs concerted efforts to diversify its economy, as growth and contribution to employment and exports have been concentrated in specific sectors (para. 5). The agriculture sector, which comprises 23.5% of GDP, employed around 70% of the labor force during 2011–2016. In comparison, across resource and non-resource sectors, the services sector comprised 39.3% of GDP (while employing 20.6% of total employment) and the industry sector comprised 31.3% of GDP (while employing 6.1%).<sup>6</sup>

7. **Poverty.** Although robust economic growth has contributed to a steady decline in the national poverty rate, poverty varies substantially across ethnic and geographic lines, and inequality has widened. The latest Lao Expenditure and Consumption Survey shows that poverty incidence fell from 33.5% in 2003 to 23.2% in 2013. However, the Gini coefficient rose from 0.31 to 0.36 during the same period.<sup>7</sup> Many families remain near the poverty threshold; half of the poor in 2013 were not poor in 2008.<sup>8</sup> In areas where ethnic groups other than the Lao-Tai majority

<sup>4</sup> There are some large-scale infrastructure projects for which the government will require further borrowing.

<sup>5</sup> IMF. 2017. *Lao People's Democratic Republic Staff Report for the 2016 Article IV Consultation-Debt Sustainability Analysis*. Washington, DC.

<sup>6</sup> Employment figures are for 2012.

<sup>7</sup> P. Warr, S. Rasphone, and J. Menon. 2015. Two Decades of Rising Inequality and Declining Poverty in the Lao People's Democratic Republic. *ADB Economics Working Paper Series*. No. 461. Manila: ADB. The report estimated that inequality reduced the amount of poverty reduction during 1993–2013 by around 6% of the population, compared with the assumption if inequality had not risen.

<sup>8</sup> Government of the Lao PDR, Ministry of Planning and Investment; and Government of the Lao PDR, Lao Statistics Bureau. 2014. *Lao Expenditure and Consumption Survey 2012/13 (LECS 5)*. Vientiane.

predominate, the poverty rate is over 40%, compared with less than 20% among the Lao-Tai. For example, the poverty incidence in Vientiane was 5.9% in 2013, but ranged from 39.2% to 44.4% in remote, ethnically diverse Bokeo and Houaphanh provinces.

8. **Gender inequality.** Gender inequalities remain between rural and urban residents and among ethnic groups. Many women lack equal access to economic opportunities, resources, and decision-making institutions. Women's typical engagement in lower-paying, vulnerable jobs and cultural expectations for them to perform most unpaid household work limit their income-earning potential. Key issues include gender disparity in upper secondary and tertiary education; limited access to technical and vocational education and training (TVET), employment services, and affordable finance; and high maternal mortality rates. While girls' net enrollment in primary and lower secondary education was equal to that of boys in 2016, their gross upper secondary enrollment was 45.2% compared with 50.4% for men. Female participation in TVET varies significantly by level and subject.

9. **Regional cooperation opportunities and challenges.** The Lao PDR's membership in the GMS Economic Cooperation Program, Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy, Association of Southeast Asian Nations (ASEAN), and World Trade Organization offers significant opportunities to boost trade, attract investment, and better manage regional public goods. Consistent with national efforts to transform the country into a land-linked regional trade and logistics hub, the Lao PDR cooperates closely with other GMS countries on transnational economic corridor development. Priorities are improved physical connectivity, transport and trade facilitation (including capacity building to certify food and agricultural products), corridor town development, tourism development, private investment promotion and enterprise development, health security, and biodiversity conservation.

## B. Development Challenges

10. **Highly concentrated production and export structure.** A small number of capital-intensive industries, such as mining and power generation, are fueling economic growth. In 2016, minerals comprised 34% of total exports and electricity comprised 21%. Thailand and the People's Republic of China are the Lao PDR's main trading partners and account for more than half of exports. While capital-intensive resource sectors produce around 20% of total GDP and 50% of total exports, they create only 1% of total employment and provide few positive spillovers to other economic sectors. Private sector-led non-resource sector investments are needed to accelerate economic diversification and underpin more inclusive and sustainable growth. Further economic diversification is also necessary to absorb the increasing working age population that is expected to peak at 69% of the total population by 2050. Moreover, the country's financially viable hydropower potential is expected to be almost fully exploited by 2030. Based on the findings of the ongoing Lao PDR country diagnostic study, non-resource sectors with potential to provide more balanced and lucrative employment include agriculture and food processing (especially cash crops such as coffee and sugarcane and organic farm products), high-quality textiles and garments, and tourism. Downstream linkages should be strengthened in resource sectors to diversify from raw exports by boosting investments in domestic industry for processing and value addition.

11. **Infrastructure gaps.** Inadequate infrastructure is a major impediment to doing business in the Lao PDR.<sup>9</sup> Infrastructure quality and coverage, including urban services, irrigation and other productive rural infrastructure (PRI), rural electrification, and land transport must be strengthened

<sup>9</sup> World Economic Forum. 2016. *The Global Competitiveness Report 2016–2017*. Geneva.



to catalyze private investment and widen access to markets and social services. In 2012, access to electricity in urban areas was 97.8%, but only 54.7% in rural upland areas. The national power grid is unable to meet peak demand, hampering private investment and regional power integration. Most remote areas lack road access. Poor transport infrastructure impedes access to health facilities, especially in rural areas. Lack of irrigation to support farm productivity and crop diversification, exacerbated by poor rural roads limiting market access, remain constraints to improving farmer's livelihoods. In urban areas, basic infrastructure and public services have remained lacking even as the urban population increased from 17% to 33% of the total population from 1995 to 2015. Urban services such as solid waste and wastewater collection and drainage show little progress, resulting in environmental degradation.

12. **Inefficient governance.** Governance and the business-enabling environment must be improved to attract more private investment. In 2016, the Lao PDR's overall rank for ease of starting a business was 160 out of 190 countries assessed.<sup>10</sup> Moreover, the country ranks 112th out of 138 assessed with respect to provision of property rights to citizens and 95th for transparency of government policy making (footnote 9).

13. **Inefficient public sector management.** Fiscal policy needs to be more carefully managed to ensure that natural capital is efficiently transformed into public investments and social services. The government has started to consolidate its fiscal position by increasing revenues and tightening expenditures, but delegation of responsibilities and financial resources to the subnational level needs to be improved. Expanding access to health and education services remains slow, which disproportionately affects the poor living in rural and upland areas. Quality health care remains unaffordable for many, with only 33% of the population covered by health insurance in 2016. Weak financial management and insufficient health financing are key constraints to achieving the government's universal health coverage target by 2025.<sup>11</sup>

14. **Limited human capital.** Underdeveloped human capital limits business expansion and productivity. The inadequately educated and skilled workforce is identified as a key constraint to doing business (footnote 9). The overall quality of the workforce, and student completion rates in upper secondary education, higher education, and TVET need to be improved to meet labor market demands. Poor access to quality health services also undermines labor productivity.

15. **Environmental degradation.** As more than 60% of the population lives in rural areas and depends on natural resources for their livelihood, the depletion of natural capital and ecosystem services must be reversed. Secure land tenure is needed to increase agricultural investment and natural capital preservation. While the government issued a moratorium on unprocessed wood exports in April 2016, stricter enforcement is needed to prevent illegal logging and deforestation. Other underlying causes of environmental degradation are weak land use planning, disasters triggered by natural hazards, inadequate legal and policy frameworks for environment protection, and limited natural resource management capacity.

16. **Climate change and disaster risk.** Economic growth highly dependent on the resource sector and limited adaptive capacity make the Lao PDR vulnerable to climate change and natural disasters. Expected climate change impacts include higher temperatures, longer dry seasons, severe and frequent rainfall, droughts, and floods. Droughts are expected to adversely affect crop production and increase the risk of food insecurity and agriculture losses. Frequent floods will damage rain-fed rice fields, irrigation systems, roads, and bridges. Apart from the need to improve

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<sup>10</sup> World Bank. 2016. *Doing Business 2017: Equal Opportunity for All*. Washington, DC.

<sup>11</sup> The 2020 target for health insurance coverage is 80%.

disaster risk readiness and response to floods and drought, northern Lao PDR is prone to earthquakes. Regional cooperation among neighboring countries is required to address environmental degradation and climate change.

### III. COUNTRY STRATEGY FRAMEWORK

#### A. Lessons from Previous Strategy

17. The overarching objective of ADB's CPS, 2012–2016 was inclusive and sustainable economic growth and poverty reduction, focusing on (i) agriculture, natural resources, and rural development; (ii) education; (iii) energy; and (iv) water and other municipal infrastructure and services. Public sector management was a crosscutting issue. Four thematic areas influenced activity design and focus: private sector development, governance, gender equity, and regional cooperation and integration (RCI). The CPS, 2012–2016 final review validation rated its performance *successful overall*, recommending (i) enhanced work with the private sector for inclusive growth; (ii) continued support for higher education and TVET; (iii) further health sector interventions to achieve health-related development goals; and (iv) continued support for MSMEs development and ASEAN Economic Community (AEC) integration (footnote 3).

#### B. National Development Strategy

18. The overall goal of the NSEDP, 2016–2020, approved by the National Assembly in April 2016, is LDC graduation eligibility by 2020. The NSEDP has three outcomes: (i) continued, firm, and inclusive economic growth; (ii) human resource development and upgraded capacities of the public and private sectors, reduced poverty in all ethnic groups, access to quality education and health services for all ethnic groups and genders, and justice and transparency; and (iii) effectively protected and utilized natural resources and environment according to green-growth and sustainable principles, and readiness to cope with disasters and the effects of climate change. The government aims for full implementation of the NSEDP to achieve the unfinished Millennium Development Goal targets and deliver early progress on the SDGs. The Lao PDR is one of six countries in which a program for SDG localization is being implemented.

#### C. Role of Development Partners

19. Official development assistance net inflows increased from \$297 million in 2005 to \$471 million in 2015, mainly to finance infrastructure, education, health, governance, and civil society. It is expected that development partners will continue to be an important source of development financing, including to address climate change. Cooperation among developing countries is also expected to increase.<sup>12</sup> International nongovernment organizations and national nonprofit associations help the government (i) address critical social and environmental issues that affect vulnerable populations, (ii) network with civil society and draw on grassroots experience, and (iii) facilitate multi-stakeholder dialogue and consensus building on policy issues. The Vientiane Declaration on Aid Effectiveness, signed in 2006, was expanded in 2015 into the Vientiane Declaration on Partnership for Effective Development Cooperation (VDPEDC), emphasizing stronger partnerships for effective development cooperation.<sup>13</sup> Accordingly, CPS formulation was closely coordinated with government and development partners under the VDPEDC framework.

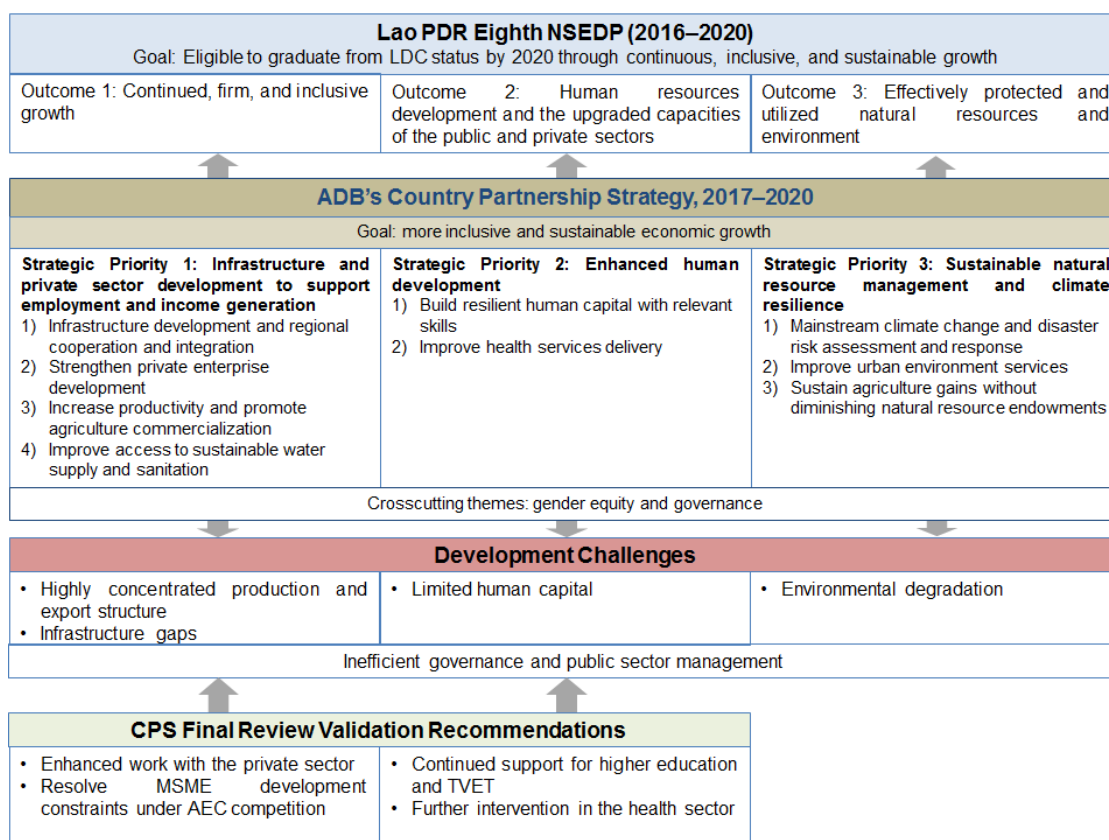
<sup>12</sup> While concessional official development assistance is expected to decrease following the Lao PDR's eligibility for graduation from LDC status, the graduation may open more opportunities for non-concessional funding and FDI.

<sup>13</sup> The VDPEDC was endorsed by the government and major development partners, including ADB, in November 2015 at the 12th High Level Round Table Meeting. It was launched at the Round Table Implementation Meeting in November 2016.

## D. ADB's Strategic and Thematic Objectives, and Operational Priorities

20. **Strategic priorities.** To align with the goal of the NSEDP, CPS's objective is more inclusive and sustainable economic growth. ADB's strategic priorities are (i) infrastructure and private sector development to support employment and income generation, (ii) enhanced human development, and (iii) sustainable natural resource management and climate resilience. Gender equity and governance are crosscutting themes. The figure shows the alignment between CPS strategic priorities and NSEDP outcomes. The first strategic priority will facilitate MSME-led private sector development. The second strategic priority will improve education and health services, as recommended by the CPS final review validation (footnote 3). The third strategic priority aligns with ADB's commitments to increase climate finance and government obligations to the Paris Agreement. ADB will engage development partners, the private sector, and civil society organizations through the VDPEDC framework.

### Lao People's Democratic Republic Country Partnership Strategy, 2017–2020



ADB = Asian Development Bank; AEC = ASEAN Economic Community; ASEAN = Association of Southeast Asian Nations; CPS = country partnership strategy; Lao PDR = Lao People's Democratic Republic; MSMEs = micro, small, and medium-sized enterprises; NSEDP = National Socio-Economic Development Plan; TVET = technical and vocational education and training.

Source: ADB.

21. **ADB's value addition.** The CPS taps ADB's considerable institutional experience and support for the GMS Economic Cooperation Program. The geographic focus on poorer provinces in the GMS economic corridors will expand RCI benefits and foster more balanced growth. ADB will generate synergies across operations and complement other development partner assistance by supporting interagency policy dialogue and appropriately sequencing investments to improve

infrastructure, human resource development (HRD), environmental protection, and climate resilience. This will address constraints to the business-enabling environment by expanding access to domestic and regional markets, and support industry-relevant skills development. The integrated approach will help diversify the economy and address the environmental impacts of infrastructure development and private sector investment. Synergies will be monitored during country programming and country portfolio review missions, and reflected in project and program design. The CPS will flexibly respond to government priorities as they evolve.

## **1. Strategic Priority 1: Infrastructure and Private Sector Development to Support Employment and Income Generation**

22. ADB operations will improve physical connectivity and promote private sector investments that generate employment and income, particularly in non-resource sectors. ADB will continue to support agribusiness by financing PRI to better harness the country's agricultural potential. Support for green urban development will increase living standards and boost local economies. Strategic priority 1 will help the government achieve SDGs 1, 2, and 6–11.

23. **Infrastructure development and regional cooperation and integration.** ADB's infrastructure investments will widen access to markets, social services, and economic opportunities while reducing logistics costs. These will promote intraregional trade and investment, supported by ongoing regional transport and trade facilitation technical assistance (TA). Energy sector interventions will primarily focus on rural electrification in the poor northern provinces to promote value-added agricultural production, expand social services delivery, and help increase power exports to neighboring countries. Transport sector operations will improve road maintenance and deepen the secondary road network in economic corridors. Support for corridor towns development and sustainable tourism will further strengthen urban–rural access, facilitate agribusiness investment, and enable farmers and MSMEs to access national and regional value chains through disseminating business development opportunities and know-how.

24. **Strengthen private enterprise development.** ADB will help the government harness the private sector's potential as an engine of employment and income creation. Complementary actions include (i) promoting MSME development by improving the policy framework for private investment, skills development, and employment services; (ii) continuing TA support to expand MSMEs' access to affordable finance and suitable financial services; and (iii) supporting government efforts to implement AEC commitments, i.e., enhancing trade integration, promoting FDI, and improving regulatory practices. ADB's Private Sector Operations Department (PSOD) will seek transaction opportunities in any potential sectors, including a proposed wind power project. Private sector power projects, including renewable energy, will be structured to sell electricity to creditworthy offtakers in neighboring countries. ADB's Southeast Asia Department, Office of Public–Private Partnerships and PSOD will help the government prepare regulatory framework for public–private partnerships (PPP) and explore opportunities for PPP in agriculture, education, urban development, water supply and sanitation, health, energy, and tourism.

25. **Increase productivity and promote commercialization of agriculture.** Improving agricultural productivity and promoting commercialization will create jobs for the poor, women, and ethnic groups in rural areas. ADB projects will (i) support PRI improvements, (ii) promote agricultural expansion and diversification, and (iii) improve the enabling environment for agribusiness development. Projects in the poor northern provinces and along the GMS East–West Economic Corridor will enhance farmers' access to PRI, increase the supply of nutritious food for domestic consumption, boost organic product exports, and promote employment led by women

throughout the agriculture and food value chains. A regional project to improve sanitary and phytosanitary standards will facilitate agriculture exports.

26. **Improve access to sustainable water supply and sanitation.** Municipal infrastructure and related service improvements will foster new industrial development and respond to the challenge of rapid urbanization. ADB support will (i) strengthen governance, urban planning, and institutional capacities; (ii) improve the operational and financial efficiency of provincial water utilities; (iii) enhance the institutional and legal framework to nurture green urban development; (iv) increase the quality and coverage of water supply and sanitation services; and (v) facilitate private sector participation. In addition, a project to improve solid waste and wastewater collection, storage, and treatment in Luang Prabang will be considered.

## 2. Strategic Priority 2: Enhanced Human Development

27. To diversify the economy and foster inclusive growth, ADB will support skills and knowledge development in the non-resource sectors. This includes strengthening government capacity to design and administer education and health services, and to strengthen social safety nets. Improving access to quality health services will enable more productive livelihoods and higher labor productivity. Strategic priority 2 will help the government achieve SDGs 3 and 4.

28. **Build resilient human capital with relevant skills.** Providing the labor force with improved skills and knowledge requires quality upper secondary education, higher education, and industry-relevant TVET. ADB will continue supporting these three subsectors, focusing on cohesive reforms that help schools produce readily employable graduates that meet labor market demands. Operations will aim for gender parity and complement other development partners' ongoing assistance in primary and lower secondary education and TVET. Scholarships for poor and disadvantaged groups will continue to be included in project and program designs.

29. **Improve health services delivery.** To provide social protection to poor, migrant, and other vulnerable populations, and to enhance inclusiveness and productivity, ADB will continue to support universal health care. Health sector operations will focus on (i) improving medical training institutions; (ii) reforming health sector finance and governance, including health insurance; (iii) strengthening regional health security and health infrastructure, especially in border areas; and (v) promoting private investment in health facilities and services.

## 3. Strategic Priority 3: Sustainable Natural Resource Management and Climate Resilience

30. Sustainable natural resource management and climate resilience will underpin green growth and enhance returns on natural capital. The Lao PDR's Nationally Determined Contributions outline climate change mitigation and adaptation actions in agriculture, forestry and land use, water resources, energy, transport, urban development, and public health. These will be selectively incorporated in ADB operations. Disaster risk management will also be incorporated in ADB operations as appropriate. Strategic priority 3 will help the government achieve SDGs 12, 13, and 15.

31. ADB projects will improve watershed conservation by supporting better land use management and good agricultural practices. ADB will also strengthen PRI's climate resilience and the development of fish passages to preserve fisheries, land tenure, land planning, water quality management, ecosystem conservation, climate-resilient agricultural practices, and farm waste management. TA support will help the government prepare a disaster risk management

and climate change law. Assistance for ecosystem adaptation and the protection of natural capital, including forests, may be considered.

#### **4. Gender Equity and Governance as Crosscutting Themes**

32. Gender equity will prominently feature in projects and programs. ADB's education sector assistance will support women's entry into the formal workforce and their access to training in nontraditional fields. Health sector finance will provide women and girls from remote ethnic communities with equal access to quality health services, including sexual and reproductive health. All projects will promote women's participation in decision-making, and equal access to employment and resources. Interventions in tourism and agriculture will increase women's access to technical and business development training, extension services, affordable finance, and markets. This will help the government achieve SDGs 5 and 10.

33. Support for AEC integration, together with ongoing TA loan support for regulatory impact assessments and a national enterprise registration system, will enable a more favorable environment for private business. Resource inadequacy at the national level and inequalities in education and health service delivery will be addressed by improving medium-term budgeting, the fiscal transfer process, and expenditure management capacity. Depending on results in these sectors, and other development partner assistance, support for public expenditure management may be expanded.

#### **E. Priorities for Knowledge Support**

34. Country, sector, project, and regional knowledge will continue to be captured and disseminated through seminars, workshops, stakeholder meetings, working papers, and social media, including the websites of ADB and its Lao PDR Resident Mission. Knowledge solutions and innovation will align with CPS strategic priorities.<sup>14</sup> Knowledge support for economic diversification, sector management, climate change, green growth, RCI, gender equity, and strengthening of safeguard capacity will be provided. ADB will facilitate the transfer of regional knowledge and experiences to the Lao PDR, build links with regional knowledge institutions, and promote cooperation among developing countries.

### **IV. STRATEGY IMPLEMENTATION**

#### **A. Indicative Resource Parameters**

35. ADB lending will be aligned with the Lao PDR's public debt and borrowing guidelines. ADB categorizes the Lao PDR as a Group A country, eligible for concessional ordinary capital resources loans (COL) and Asian Development Fund (ADF) grants.<sup>15</sup> The indicative COL and ADF grant country resource allocation for the Lao PDR for 2017–2020 is \$421 million, including regional projects.<sup>16</sup> ADB will explore cofinancing and funding from other sources during the CPS period, including COL and ADF grant subregional pools, global trust funds, the ASEAN

<sup>14</sup> The Country Knowledge Plan is in Appendix 2.

<sup>15</sup> Due to the IMF Article IV Consultation reclassification of the risk of the Lao PDR's external debt distress, operations in 2017 and 2018 are grant only. The Lao PDR will become ineligible for grants in 2019, with gross national income exceeding the International Development Association threshold.

<sup>16</sup> The final country resource allocation will depend on the available COL and ADF commitment authority and the outcome of country performance assessments.

Infrastructure Fund, and climate change-related funds.<sup>17</sup> ADB will increase its private sector operations and mobilize more private sector resources to help the government implement the NSEDP. FDI is expected to share 56% of total investment requirement during 2016–2020.

36. **Cost-sharing arrangements.** Given the continued fiscal constraints and low public financial management capacity, ADB and the government have agreed that the country cost-sharing ceiling for the portfolio of loans, grants, and TA will be set at 99%. For individual projects, financing will be up to 99% of the total project cost, including taxes and duties.

37. **Staff resources.** ADB staffing needs reflect Strategy 2020 midterm review priorities.<sup>18</sup> As an increasing proportion of the Lao PDR portfolio and knowledge work is delegated to the resident mission, more staff are required to support expanding operations in water and other urban infrastructure and services, public sector management, and health, as well as procurement and safeguards compliance. Staffing needs will be regularly assessed and adjusted accordingly.

## B. Implementation Priorities

38. **Operational focus.** The trend toward fewer but larger projects and programs will continue. On average, three projects will be approved each year and operations will be sufficiently large to allow for meaningful contributions to the government's development objectives and reform agenda.<sup>19</sup> Project design will carefully consider executing and implementing agency capacities in the context of the government's devolution program. Policy-based lending will be judiciously used to address long-standing institutional and policy constraints.

39. **Portfolio performance.** The CPS will help strengthen country systems to improve portfolio performance, including project and procurement readiness. ADB will (i) scale up TA support to strengthen the legal framework for procurement and financial management, (ii) build capacity to improve procurement oversight and financial management, (iii) support the establishment of a national procurement accreditation system, and (iv) support the dissemination and use of the government's standard operating procedures for externally financed projects. Ensuring implementable project designs and adherence to project readiness filters will accelerate project start-up and increase efficiency. ADB will continue to review portfolio performance on a quarterly basis and undertake the annual joint country portfolio review together with other development partners to identify systemic issues and solutions to address them. ADB will also introduce its new 2017 procurement policy and implementation guidelines to promote value for money in ADB-financed projects.

## C. Monitoring of Results

40. Monitoring CPS implementation and results will be done jointly with the government through the CPS and sector results frameworks, as well as the NSEDP monitoring and evaluation framework. Quarterly portfolio review meetings, the annual joint country portfolio review, and country programming missions are important monitoring mechanisms.

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<sup>17</sup> The Lao PDR is eligible for grant financing under the new disaster risk reduction financing mechanism for 2017–2019.

<sup>18</sup> ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

<sup>19</sup> Additional financing will be considered for lending operations that are being effectively managed with good results.

## D. Risks and Mitigation Measures

41. **Fiduciary risks.** Effective implementation of the Budget Law (2016) is problematic. Most of its key provisions, particularly requirements for provincial assemblies to approve and control local expenditure, and medium-term budgeting, are not being implemented. The absence of a medium-term fiscal strategy undermines budget predictability and strategic resource allocation through a medium-term expenditure framework. Unrealistic fiscal forecasts and a budget process fragmented between capital investment projects and recurrent expenditure prevents achievement of fiscal objectives. The lack of reliable and timely financial reports also makes it difficult to monitor spending, and increases the risk that funds are not used for their intended purposes. ADB's public sector and financial management support (para. 33) will target these areas, supplementing TA support from other development partners, including the IMF.

42. **Procurement risks.** There is no national procurement law as yet in the Lao PDR. Procurement is governed by decrees and regulations under the oversight of the Ministry of Finance's Procurement Monitoring Office. Procurement risk at the country and agency level is assessed as high because of deficiencies in the legal and regulatory framework, insufficient monitoring, poor record keeping, and the lack of a procurement professionalization program. The limited pool of national procurement expertise, lack of permanent procurement committees, and inadequate procurement tracking are the main issues. ADB will continue to provide short-term procurement training and consultant support to address procurement bottlenecks, and cooperate with other development partners to support legal and regulatory reforms together with systemic long-term capacity building.

43. **Vulnerability to corruption.** An anticorruption decree was issued in November 1999, but vulnerability to corruption remains. The Lao PDR is ranked 123rd out of 176 countries on corruption perception in 2016.<sup>20</sup> Vulnerability to corruption in ADB operations will be assessed closely through country portfolio review missions, project review missions, and scrutiny of procurement documents and audit reports.

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<sup>20</sup> Transparency International. 2017. *Corruption Perceptions Index 2016*. Berlin.



## COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK, 2017–2020

<b>Country Development Impact Indicators with which the CPS is Aligned</b>				
1. Proportion of population living below the national poverty line declines from 23.2% in 2013 to 10% by 2021 2. Eligibility for graduation from least-developed country status by 2020: From GNI per capita \$1,232, HAI 60.8, and EVI 36.2 in 2015 to GNI per capita \$1,242, HAI 66.0, and EVI 32.0 in 2020				
<b>CPS Objectives and Related Impacts</b>	<b>CPS Priority Areas</b>	<b>Key Outcomes that ADB Contributes to</b>	<b>Outcome Indicators</b>	<b>CPS Resources</b>
(i) Infrastructure and private sector development supporting employment and income generation	Infrastructure development and regional cooperation and integration	Improved rural electrification and increased energy trade  Regional cooperation and integration promoted through tourism  Developed corridor towns	Household electrification coverage increased to 100% in 2020 (2016 baseline: 91%) Number of international tourists increased to 6.8 million in 2020 (2015 baseline: 4.7 million) Improved urban services, including greater mobility and safety Total numbers of days required to start a business decreased to 62 in 2020 (2015 baseline: 72 days)  Irrigated dry season areas increased to 315,000 hectares by 2020 (2015 baseline: 103,000 hectares) Rice export increased to 0.60 million tons in 2020 (2012 baseline: 0.45 million tons) 90% of the population using an improved drinking water source by 2020 (2014 baseline: 84%) 75% of the population using an improved sanitation facility in 2020 (2012 baseline: 67%)	<b>Ongoing portfolio</b> Ongoing sovereign loan projects (as of 31 December 2016): Number: 16 Amount: \$339 million  <b>Planned operations and contribution:</b>  <b>Sovereign</b> Lending: \$421 million of concessional ordinary capital resources loan and Asian Development Fund grants and \$40 million cofinancing for 2017–2020  <b>Technical assistance</b>  Nonlending: \$6.5 million of Technical Assistance Special Fund for 2017–2020
	Strengthen private enterprise development  Increase productivity and promote agriculture commercialization  Improve access to sustainable water supply and sanitation	Developed policies to promote growth of micro, small, and medium-sized enterprises Improved PRI and commercial agricultural expansion  Increased access to water supply and sanitation services		
(ii) Enhanced human development	Build human capital with relevant skills	Accelerated labor market shift toward labor-intensive industries and services sectors with skills and knowledge	60% of upper secondary graduates enrolled in TVET by 2020 (2015 baseline: 56% upper secondary graduates) TVET enrollment increased to over 105,000 in 2020 (2015 baseline: about 65,000) Gender parity index for upper secondary education gross enrollment and completion ratio improved to 0.97–1.03 for both	

CPS Objectives and Related Impacts	CPS Priority Areas	Key Outcomes that ADB Contributes to	Outcome Indicators	CPS Resources
	Improve health services delivery	Established universal health care and financing and governance reform	ratios in 2020 (2015 baseline: 0.87 for gross enrollment and 0.84 for completion) By 2020, 80% of the population covered by social health protection schemes (2015 baseline: 30.36%) Maternal mortality ratio per 100,000 live births decreased to 200 in 2020 (2011 baseline: 357) Proportion of births attended by trained health personnel increased to 70% in 2020 (2011 baseline: 58%)	
(iii) Sustainable natural resource management and climate resilience	<p>Improve condition of natural resources and the environment</p> <p>Sustain agriculture gains without diminishing natural resource endowments</p> <p>Improve climate change adaptation and disaster risk management</p>	<p>Improved watershed conservation, including improved land use management</p> <p>Strengthened PRI's climate change resilience, water quality management, and climate-resilient agriculture practices</p> <p>Enhanced forests and other ecosystems, with people less vulnerable to climate-related events and disasters</p>	<p>400,000 land titles issued in rural and urban areas during 2016–2020</p> <p>Forest coverage increased to 70% by 2020 (2010 baseline: 42%)</p> <p>Climate-smart agriculture and agribusiness strategy adopted by 2020 (2016 baseline: not applicable)</p> <p>Area under climate-resilient varieties of rice and vegetables increased by 5,000 hectares by 2023</p> <p>PRI schemes modernized to improve climate resilience (2017 baseline: not applicable)</p> <p>Consolidated sex-disaggregated data prepared by 2020 (no data in 2015)</p>	

ADB = Asian Development Bank, CPS = country partnership strategy, EVI = economic vulnerability index, GNI = gross national income, HAI = human assets index, PRI = productive rural infrastructure, TVET = technical and vocational education and training.

Sources: ADB; and Government of the Lao People's Democratic Republic, Ministry of Planning and Investment. 2016. *Eighth Five-Year National Socio-Economic Development Plan, 2016–2020*. Vientiane.

## COUNTRY KNOWLEDGE PLAN

### A. Knowledge Needs

1. The Lao People's Democratic Republic (Lao PDR) needs advisory and capacity development support to formulate knowledge-based policies and strategies, improve macroeconomic and sector management, and strengthen public capacity to support economic diversification. Knowledge products and services are also needed to address climate change and foster green growth, gender equity, public–private partnerships (PPPs), and regional cooperation and integration—particularly the implementation of ASEAN Economic Community (AEC) commitments and transport and trade facilitation.

2. **Priority sectors and themes.** The country partnership strategy (CPS), 2017–2020 of the Asian Development Bank (ADB) for the Lao PDR will support investments, policy reforms, and capacity development to promote more inclusive and sustainable economic growth. Operations are anchored on the Eighth Five-Year National Socio-Economic Development Plan, 2016–2020 outcomes and the CPS priorities: (i) infrastructure and private sector development to support employment and income generation; (ii) enhanced human development; and (iii) sustainable natural resource management and climate resilience, with gender equity and governance as crosscutting themes.

3. **Knowledge constraints to inclusive and sustainable growth.** The Lao PDR needs to diversify its economy from a heavy dependence on natural resources and expand export products and destinations. Insufficient human resource development has led to low productivity and a mismatch between labor demand and supply. Limited natural resource management capacity is a major constraint to improving agricultural productivity, climate change resilience, and preparedness for natural disasters. Governance and public sector management remain inadequate, resulting in an unfavorable environment for private sector investment and widening inequality.

4. **Lessons from past experiences.** ADB's knowledge products and services (KPSs) in the Lao PDR have sometimes been driven by supply, with weak coordination between divisions and other development partners. A strategic approach is needed to ensure synergy among operations, knowledge programming based on value addition, systematic knowledge capture throughout the operations cycle, and capacity building based on sound assessments of targeted institutions.

### B. Scope of ADB's Planned Knowledge Operations

5. The Lao PDR country knowledge plan (CKP) sets out priorities for KPSs based on the CPS's three strategic priorities and two crosscutting themes. Recognizing that KPSs arise from each stage of the operations cycle, knowledge gained will continue to be distilled and systemized for rapid dissemination, with a focus on better approaches to achieve sustainable and inclusive economic growth and poverty reduction. Demand for KPSs will be determined through country programming and portfolio review missions; sector assessments, strategies, and road maps; project and technical assistance (TA) completion report reviews; and as part of the CPS midterm and final reviews. KPSs will be generated through projects and TA, including those produced and disseminated by ADB knowledge departments and the ADB Institute.<sup>1</sup>

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<sup>1</sup> Knowledge departments mainly consist of the Sustainable Development and Climate Change Department, Economic Research and Regional Cooperation Department, and Independent Evaluation Department.

6. External risks, such as global or regional shocks, and changes in export markets and government priority agendas, may trigger an urgent need for timely knowledge updating. KPSs that are not detailed in the annual list of indicative knowledge publications and events may be needed. Experts in ADB's Southeast Asia Department and knowledge departments can be called upon to selectively address unforeseen and time-sensitive knowledge needs, and deliver the KPSs in a timely manner. An ongoing ADB regional TA project can be tailored to specific needs, providing resources to support timely responses to requests.<sup>2</sup> The "myQuery" service launched in April 2017 by Sustainable Development and Climate Change Department (SDCC) can also quickly supply reliable data, information, and analysis responding to inquiries supporting economic, sector, and thematic knowledge work.<sup>3</sup>

7. KPSs will comprise (i) economic, sector, and thematic work; (ii) policy advisory services; (iii) transaction and knowledge support TA; (iv) capacity development support services; (v) compilations of best practices, pilot studies, technology and innovation, and new policies that improve public service delivery; (vi) evaluation reports; and (vii) the development of knowledge-sharing networks. KPSs will be disseminated through training programs, seminars, workshops, and social media; and through ADB's and ADB's Lao PDR Resident Mission websites, libraries, and media articles.<sup>4</sup> Key KPSs will be translated into the Lao language. ADB will promote the application of regional knowledge to development issues in the Lao PDR, strengthen links with regional knowledge institutions, and promote partnerships—including cooperation among developing countries under the Greater Mekong Subregion (GMS) Economic Cooperation Program and AEC. The CKP will be operationalized in the following areas, in alignment with the CPS's strategic priorities.

### **1. Infrastructure and Private Sector Development to Support Employment and Income Generation**

8. **Infrastructure development and regional cooperation and integration.** KPSs will assist the Lao PDR to strengthen infrastructure development by focusing on energy, water supply and sanitation (WSS), urban services, agriculture, health, tourism, and transport. Regarding WSS, ADB will continue capacity-building programs for executing and implementing agencies on project design, management, operation and maintenance, monitoring and evaluation, and safety issues. In the transport sector, ADB will focus on governance, financial management, good practices for strengthening operation and maintenance, management structures to support sustainable urban transport system development, and traffic safety.

9. KPSs will draw on regional cooperation and integration knowledge to benefit from regional good practices. KPSs on transport and trade facilitation; special economic zones; corridor town development; and the integration of micro, small, and medium-sized enterprises (MSMEs) into regional and global production networks will support economic diversification, cross-border agricultural trade and agribusiness, and tourism. Support for the implementation of AEC

<sup>2</sup> ADB. 2015. *Regional Technical Assistance for Knowledge Development Support for Southeast Asia*. Manila.

<sup>3</sup> Although this is publicly available, the service is currently designed to respond to queries raised by ADB personnel.

<sup>4</sup> For knowledge dissemination and sharing, resources include the following: (i) K-Nexus, an online database of completed and planned knowledge products and services by all departments; (ii) ADB. 2016. *Tapping into the Operations Knowledge: Gaps, Opportunities, and Options for Enhancing Cross-Project Learning at ADB*. Manila; and (iii) Development Asia, an ADB-supported community of development professionals, government officials, civil society organizations, researchers, students, and others interested in international development. ADB, through its "digital first" content approach (i.e., short-form, online content that can easily be distributed across platforms, such as mobile, social media, and websites, and is not in PDF format) to sharing knowledge, provides a platform to find and share content easily and enable quick decisions.

commitments in priority areas will promote a more dynamic and competitive region with a single market and production base. A study will provide recommendations on how the Lao PDR can further benefit from the GMS Program.

10. **Strengthen private sector development.** ADB will continue to support policy dialogue with the government on macroeconomic management and infrastructure. KPSs will help strengthen macroeconomic and financial stability and private sector development, particularly for MSMEs. KPSs will improve the business enabling environment and provide knowledge support for PPPs to expand investments in agriculture, education, health, WSS, energy, and tourism.

11. **Agriculture development.** Studies and capacity-building programs on cultivation techniques, agribusiness value chains, spatial gaps between actual and productive potential, factor endowments, and market development with consideration of gender equity will support increased agriculture productivity and commercialization. New financial products will be designed to support MSME development and agribusiness lending. Nonlending products to enhance productivity and promote commercialization and investment will also be considered.

## 2. Enhanced Human Development

12. **Skills development.** The Lao PDR is ranked 138 out of 188 countries in the Human Development Index.<sup>5</sup> ADB will help upper secondary, higher education, and technical and vocational education and training institutions become more efficient and industry relevant, with stronger links between education and employment as determined by labor market needs. To modernize and improve the quality of these subsectors, KPSs will support training programs and seminars, preparation of modern curricula, learning materials and manuals, and employment services.

13. **Quality health care.** ADB support will improve medical training institutions and provide knowledge needed to expand the national health insurance system. Health sector assessments, strategies, and road maps will be updated to guide these and other sector investments.

## 3. Sustainable Natural Resource Management and Climate Resilience

14. ADB will help build the Lao PDR's planning and management capacities for climate change adaptation and climate resilience to achieve green growth. Studies and capacity-building programs will be provided for land tenure and land use planning and management, protection and restoration of natural capital, ecosystem-based adaptation and resilience building, water security, and the potential use of remote sensing to broaden the understanding of resources utilization. Other KPSs will support water quality management, waste management, pollution control, strengthening of safeguard and regulatory functions, and capacity building for climate finance management.

## 4. Gender Equity and Governance

15. All KPSs will mainstream gender equity. They will promote inclusive business for women entrepreneurs, including gender assessments and commercially viable investments with social implications. Strengthening women's resilience to climate change and disaster risk will benefit women, particularly those engaged in agriculture.

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<sup>5</sup> United Nations Development Programme. 2016. *Human Development Report 2016*. New York.

### C. Areas of Collaboration with Partners

16. The resident mission will seek partnerships with local and regional knowledge institutions to produce and disseminate KPSs. These institutions include the National Economic Research Institute; the National University of Laos; line ministries, policy think tanks, and institutes; private associations; civil society organizations; and independent research institutes. In addition to further strengthening cooperation with ADB's knowledge departments and the ADB Institute, the resident mission will explore opportunities to work more closely with other development partners to coordinate the production, dissemination, and utilization of policy-linked KPSs. Knowledge production will be added as a new activity to the macroeconomic and infrastructure sector working groups co-chaired by ADB.<sup>6</sup>

17. **Knowledge support monitoring and evaluation.** KPS value addition will be monitored and assessed through internal and external utilization and consumption. The CKP will be monitored through (i) annual reviews of the CKP as part of the annual country programming mission, joint country portfolio review mission, and updates to sector assessments, strategies, and road maps; (ii) project completion report and TA completion report evaluations; (iii) regular review of program pipelines and existing Southeast Asia Department KPS data collection; and (iv) the CPS midterm and final reviews.

### D. Resource Allocation

18. The resident mission country director will be the country knowledge custodian. ADB plans to provide about \$2 million annually for national TA projects, including elements to support KPSs. This amount is supplemented by regional projects, trust funds, cofinancing, and funds earmarked for meeting just-in-time knowledge needs. Investment projects will have KPS components as well. Apart from country-specific assistance, the Lao PDR will benefit from KPSs relevant to country operations delivered by various ADB departments and the ADB Institute. ADB will provide specialists to tap ADB's significant development experience (paras. 6–7).

### E. Knowledge Competence or Expertise

19. The Lao PDR has gained experience and lessons to share with other developing countries on macroeconomic management, water resources management, urban development, and energy sector reforms. Nepal's parliamentarians visited the Lao PDR in September 2016 to exchange experiences on development operations and PPPs in the energy and WSS sectors. Regional knowledge sharing and dissemination will continue under the GMS Program, the Association of Southeast Asian Nations, and other platforms. Lao PDR officials and institutions will network with others in the region to facilitate cooperation among developing countries regarding knowledge sharing and innovative technology transfer where and when appropriate.

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<sup>6</sup> There are ten sector working groups as key coordination platforms for each thematic area of development in the Lao PDR's Round Table Process. They are led by the government and include development partners, civil society organizations and representatives from the private sector. The macroeconomic working group organized a workshop on 5 July 2017 to discuss the draft *Lao People's Democratic Republic Country Diagnostic Study* prepared by Economic and Regional Cooperation Department.

### **LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/CPS/?id=LAO-2017>

1. Inclusive and Sustainable Growth Assessment
2. Development Coordination Matrix
3. Country Operations Business Plan: Lao People's Democratic Republic, 2018–2020